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AUTHOR Kimmich, Madeleine H.; And Others

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ABSTRACT

This report examines the impact of government cutbacks in social services, compensatory education, nutrition, and youth employment/training on private, nonprofit organizations serving children and youth. Data was gathered via a mailed survey (1982-83) in 12 metropolitan areas and 4 rural counties. Among the conclusions are the following: (1) nonprofit child-serving agencies provide a variety of services, vary widely in size, and have a diverse clientele; (2) the government was the largest source of revenues for child-serving nonprofits in Fiscal Year (FY) 1982, contributing 42 percent of total funds. Private grants provided about 26 percent of the funds, and income from service fees, dues, and charges accounted for over 20 percent; (3) large and medium-sized agencies rely more heavily on government funding than do small ones; (4) in 1982 government support for child-serving nonprofits was cut by 3.4 percent, a figure smaller than the average 6.3 percent cut for all nonprofit agencies; (5) social services, day care, education/research, and recreation agencies all had losses of 5 percent or more; (6) while government support was declining, demand for services either increased or remained stable for the agencies; (7) many agencies more than replaced government funding losses in FY 1982 by turning to other sources of support, but 43 percent of the agencies suffered a real decline in revenues; (8) most of the increased revenue came from dues, fees, and service charges; and (9) private contributions increased in FY 1982. Tables illustrate the data. Appendices present additional data, list the sponsors of this report, and provide the survey instrument. (BJV)

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CHILD-SERVING NONPROFIT ORGANIZATIONS IN AN ERA OF GOVERNMENT RETRENCHMENT

by

Madeleine H. Kimmich
Michael Gutowski
Lester M. Salamon

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THE NONPROFIT SECTOR PROJECT

CHILD-SERVING NONPROFIT ORGANIZATIONS IN AN ERA OF GOVERNMENT RETRENCHMENT

by

Madeleine H. Kimmich
Michael Gutowski
Lester M. Salamon

A Report for the
Foundation for Child Development

Prepared under The Urban Institute Nonprofit Sector Project
Lester M. Salamon, Director

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The analysis reported here was carried out with support from the Foundation for Child Development and draws on data generated by the Urban Institute Nonprofit Sector Project, a three-year inquiry into the scope and structure of the nonprofit sector that is being supported by over forty corporations and foundations.

The authors wish to express their appreciation to the Foundation for Child Development and to the sponsors of the Nonprofit Sector Project for the support that made this work possible; to Trude Lash and Toni Porter of the Foundation for Child Devleopment for helpful suggestions on several aspects of the work; to James Musselwhite, Paul Lippert, Anne Lyons, George Chow, Marla Taylor, and Theresa Jordan of the Urban Institute; and to the hundreds of child-serving nonprofit managers who took the time to complete and return our survey forms.

The views and conclusions presented here are those of the authors, however, and do not necessarily represent those of The Urban Institute, the Foundation for Child Development, or the sponsors of the Nonprofit Sector Project. As principal investigator and director of this project, moreover, I am ultimately responsible for the contents of this report.

Lester M. Salamon, Director
Center for Governance and
Management Research
The Urban Institute

SUMMARY OF PRINCIPAL FINDINGS

The decade of the 1970s has witnessed deteriorating economic circumstances for children, particularly for minority children and those living in female-headed households. The federal government has played a major role in provision of supportive services to needy children and their families, but that role was substantially reduced between 1981 and 1982. Federal outlays for the major programs affecting children decreased ten percent in real terms; cuts were especially severe in the areas of social services, compensatory education, nutrition and youth employment/training.

The purpose of this report is to examine the impact of these changes on private, nonprofit organizations serving children and youth. These organizations have long played a major role in this country, but this role was to expand in response to cutbacks in government services in the early 1980s. Unfortunately, however, very little is known about these organizations in any systematic way, so that it has been difficult to gauge their ability to expand to meet the new needs left behind by government retrenchment.

This report is an effort to fill this gap in knowledge at least in part. It draws on a mail survey of nonprofit service organizations exclusive of hospitals and higher education institutions conducted in late 1982 and early 1983 in twelve metropolitan areas and four rural counties throughout the United States as part of The Urban Institute's Nonprofit Sector Project. With special support from the Foundation for Child Development, a detailed analysis was undertaken of those nonprofit

organizations half or more whose clients were children or youth. This subsample of child-serving organizations constituted 32 percent of the 3,411 respondents in the full sample. The analysis had five major objectives: first, to provide a basic profile of child-serving nonprofits—what they do, whom they serve, how they are structured; second, to determine how these organizations are funded; third, to assess the initial impact on them of government budget changes; fourth, to determine how these agencies have responded; and fifth, to compare child-serving nonprofits to all others along these dimension.

The major findings of this analysis can be grouped under four broad headings:

1. The Nature of Nonprofit Child-Serving Agencies

   - The typical child-serving organization provides a variety of services. Most common are agencies engaged primarily in day care, recreation, and social services.

   - Half of the child-serving agencies had FY 1982 expenditures of $157,000 or less, comparable to the size distribution of all surveyed nonprofits. However, 68 percent of total child-serving agency funds were accounted for by the million-dollar-plus agencies, which represent only 13 percent of the agencies. This testifies to the wide variation in agency size. Most prevalent among small agencies were day care centers, and among large agencies institutional and residential care facilities.

   - On average, child-serving agencies rely more heavily on part-time paid staff and on volunteers than do nonprofits generally. The typical child-serving agency benefits from over 1,200 volunteer hours per month. At the same time, a smaller proportion of child-serving agencies are run exclusively by volunteers. Most agencies expressed great skepticism about replacing professionals with volunteers.

- The majority of child-serving agencies have been formed since 1960, over 40 percent since 1970. This corresponds with the period of greatest growth in government social programs. The youngest agencies tend to be day care centers, health/mental health clinics, and multiservice agencies. The oldest agencies concentrate on institutional and residential care or recreational services.

- Child-serving nonprofits have a diverse clientele. In addition to children the target groups receiving the most attention are the working class, the poor, single parents, and blacks. Interestingly in view of their charitable character, only 28 percent of the agencies focus primarily on the poor, and for half, the poor do not comprise more than 10 percent of their clientele.

2. Funding Base of Child-Serving Agencies

- Government was the largest source of revenues for child-serving nonprofits in FY 1982, contributing 42 percent of total funds. This reliance was also widespread: nearly six in every ten agencies received some government aid.

- Private giving--from individuals, corporations, and foundations--was the second largest source for child-serving nonprofits. Such contributions accounted for about 26 percent of total nonprofit income in FY 1982. United Way and direct individual giving accounted for almost two-thirds of this.

- Income from service fees, dues, and charges was the third largest funding source for nonprofit child-serving agencies, accounting for over 20 percent of total FY 1982 revenues. This was the most widely tapped funding source, used by 70 percent of the agencies.

- Large and medium-sized child-serving agencies rely more heavily on government funding than do small ones. By contrast, small agencies rely more heavily on fees and service charges. Among private funding sources, mid-sized agencies tend to rely more heavily on United Way funds than either small or very large agencies; while direct individual giving is particularly important for small and medium-sized agencies.

- Funding patterns also differ by service area. Government accounts for half or more of the funds of five of the seven major categories of child-serving agencies—institutional and residential care, day care, social services, health/mental health, and "mixed". Among recreation agencies, however, government accounts for less than 10 percent of the funds and private giving and service charges each account for a third or more. For education agencies, government is an important but not dominant source, and its contribution to total income is equalled by service charges. This suggests that outside of the recreation and education/research fields, child-serving nonprofits are particularly vulnerable to government funding changes.

- Child-serving organizations are like other nonprofits in their attitudes about government funding. Half of the agencies feel that nonprofits are too dependent on government funding. Yet fifty-six percent express the opinion that government makes too little use of nonprofits. Child-serving nonprofits seek a balance whereby nonprofit agencies can assist government providers in meeting community needs and still maintain a degree of independence. This is especially important in view of the fact that half of the agencies doubt that they can count on corporate support as an alternative.

3. The Impact of Government Budget Cuts.

   - Recent federal budget cuts reduced government support for child-serving nonprofits by 3.4 percent in inflation adjusted terms between 1981 and 1982. This was substantially smaller than the 6.3 percent average reduction in the nonprofit agency sample as a whole.

   - Some types of agencies were hit harder than others by the government cuts. Social services, day care, education/research, and recreation agencies all had losses of 5 percent or more. By contrast health and mental health organizations gained government support.

   - While government support was declining, demand for services either increased or remained stable for nearly all of the surveyed nonprofit child-serving agencies between 1981 and 1982. Increases in demand were most likely to be registered in social services

agencies, health/mental health organizations and "other" agencies, including employment, advocacy and multiservice agencies. Day care centers witnessed the least increase in demand, perhaps because the majority are small nongovernment-supported agencies catering to a paying clientele.

- Few child-serving agencies anticipate increases in government funding in the foreseeable future. To meet increased demand, therefore, these agencies must seek alternative sources of support.

4. Response of Child-Serving Agencies to Government Retrenchment

- In the aggregate child-serving agencies more than replaced government funding losses in FY 1982 by turning to other sources of support, ending with an increase in total revenue of 2.1 percent in real terms. Nonetheless, 43 percent of all child-serving organizations suffered a real decline in revenues.

- The overall gains in revenue registered by child-serving agencies were concentrated in four of the seven types of agencies--recreation, institutional/residential, health/mental health, and other. In two of these cases--health/mental health and institutional care--there were no government cuts to overcome. In a third, government support was a small part of agency income to start with so that the cuts that occurred hardly affected total revenues. The three remaining types of child-serving agencies--education/research, day care, and other social services--all ended up with net reductions in total revenues. In two of these cases--education/research and day care--other income was found to offset at least part of the government cuts. In the third--other social services--the value of nongovernmental support declined also and thus accentuated the government cuts.

- Most of the increased revenue child-serving agencies managed to generate came from dues, fees, and other charges for services. A third of the agencies increased or instituted service fees. This one source accounted for nearly 45 percent of the new revenue child-serving nonprofits brought in and it more than offset the government cuts by itself. Increases in earned income were especially important to recreation agencies, institutional care

facilities, multipurpose agencies, and day care centers. Social service agencies, by contrast, experienced losses from this source. This trend toward fee-for-service activities raises important questions about the ability of nonprofit child-serving agencies to serve those in greatest need.

- Private contributions to child-serving nonprofit agencies also increased beteen FY 1981 and FY 1982. But direct individual contributions grew much faster than federated campaigns, suggesting an increase in direct appeals to the public by agencies, and possibly in the cost of fundraising. Most successful in soliciting direct donations were large organizations, recreation agencies and "other" child-serving organizations. The agencies hit hardest by government cuts, however, generally registered less-than-average increases in direct individual giving. By contrast, United Way support grew much more slowly than direct individual giving. Day care centers and recreation agencies benefitted most from this growth. By contrast, social service agencies other than day care actually lost United Way support in inflation-adjusted terms.

- Corporations and foundations modestly increased their support of child-serving organizations, with corporations favoring smaller organizations and those hardest hit by government cuts (such as social services, employment, day care and multiservice organizations). By contrast, foundations tended to continue their primary support in areas such as recreation and institutional care while reducing the value of the support provided to agencies in the hard-hit fields of social services, day care, and employment.

- Of all the sources of income of child-serving nonprofits, the one that grew most in percentage terms between 1981 and 1982 was other income, including special fundraising events and product sales. This was a particularly lucrative source for recreation, social service, and institutional care providers.

- In addition to seeking alternative funding, many agencies responded to retrenchment by reducing staff levels, increasing staff workloads, instituting management reforms, and increasing reliance on volunteers. Even so, 16 percent of the agencies

apparently found it necessary to eliminate specific service programs, while 13 percent reduced the number of clients served.

The organizational changes and shifting funding base of child-serving agencies translate into significant changes in the structure of the nonprofit service sector. As government becomes a smaller part of the financial picture, the service priorities of private funders play a larger role in determining the nature of services offered by nonprofit child-serving agencies. Already evident is a shift toward health and recreation services and away from social and education services. When combined with trends toward service fees, higher caseloads, and greater use of volunteers, the changing service orientation of the child-serving nonprofit organizations may mean less attention to the most needy and most vulnerable members of society. The nonprofit sector faces a growing challenge to meet expanded community needs in a time of government retrenchment.

Chapter 1

INTRODUCTION

NONPROFIT ORGANIZATIONS AND SERVICES TO CHILDREN AND YOUTH

As President Reagan's economic recovery program began to take shape in 1981, concerns quickly emerged concerning how the proposed cutbacks in human service programs would affect particular groups and segments of the economy. Of special concern to many were the possible effects of the program on children and youth, an especially vulnerable group and one that has long been a special focus of government protection. Reflecting this concern, inquiries were launched to document the changes in spending on services for children and youth by the federal government, and by states and localities as well.[1]

Important though these inquiries have been, however, they tell only part of the story. For, while government plays a major role in funding services for children and youth, much of the actual delivery of the services is carried out by other institutions, most of them private, nonprofit organizations. What is more, nonprofit organizations were expected to play a key role in the economic recovery program. As government programs were cut back, the voluntary or charitable sector, drawing on private resources, was expected to step in and pick up the slack caused by government retrenchment.

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[1]Foundation for Child Development, Public Expenditures for Children Project; Children's Defense Fund, Child Watch projects and A Children's Defense Budget; House Select Committee on Children, Youth and Families, committee hearings and reports.

Unfortunately, this view tended to overlook a central characteristic of these nonprofit organizations: that they derive a substantial share of their income from government programs. Government budget cuts thus threatened to affect nonprofit organizations providing services to children and youth in two different ways at once—increasing the demand for their services while reducing the revenues they had available to meet even preexisting demands. These organizations would therefore require prodigious fundraising efforts just to hold their own, let alone to expand to meet increased needs. Under the circumstances, a clear understanding of the impact of government budget cuts on services for children and youth requires an assessment not only of government funding trends, but also of the performance of the private, voluntary agencies that are also deeply involved in the provision of services to children and youth.

This report provides such an assessment, examining what has happened to nonprofit organizations serving children and youth as a result of the government budget cuts enacted in the early 1980s. The report also has a broader purpose as well, however: to provide a more thorough base of knowledge than now exists about these private agencies-their size, their activities, their funding structures, their character. Despite the important role they play, these organizations have attracted little systematic research attention. As a result, we know precious little about them and are in a poor position to judge their capability to take on the new functions they are being asked to perform. While this would be a matter of concern under any circumstances, it takes on

added urgency in view of the retrenchment in governmental services that is now under way in the nation.

This report therefore has a number of objectives:

1. to provide an overview of the nature and structure of nonprofit organizations serving children and youth;
2. to describe the sources of funding for these organizations;
3. to assess the initial impact of government retrenchment on these organizations;
4. to determine the degree of success these agencies are having in coping with these budget changes; and
5. to compare child- and youth-serving agencies with all nonprofit agencies along these dimensions.

Most of the information presented in this report derives from a survey carried out by the Urban Institute as part of its Nonprofit Sector Project, a three-year inquiry into the scope and structure of the nonprofit sector and the impact of recent government policy changes on this set of organizations. Nonprofit organizations in twelve metropolitan and four rural communities scattered broadly across the country were surveyed in late 1982 and early 1983 as part of this inquiry. On the basis of respondent answers to questions about their activities and client focus, it was possible to identify the agencies primarily serving children or youth and to subject them to special analysis.

To make sense of these results, however, it is important to understand the context in which children-serving nonprofits were operating in the early 1980s. The remainder of this chapter therefore looks briefly at some of the key issues concerning the status of children and youth at the present time and at the nature and magnitude of the budget cuts and other policy changes affecting children and youth programs at the federal level in the early 1980s. The chapter then provides additional detail about the survey that forms the basis for the analysis in this report.

I.

Federal Programs and the Status of Children and Youth

The Current Status of Children and Youth

The past decade has been a period of overall improvement in the health of American children, but of some deterioration in their economic and social situation, particularly among minority children.

As reflected in Table 1.1, the proportion of families headed by women, and the proportion of children living only with their mothers were roughly two times higher in 1982 than they had been a decade earlier. Among black families, the statistics present an even starker picture: 30 percent of families in 1970 and 46 percent in 1982 were headed by females. Mother-only families have particular difficulty making ends meet financially; in 1981 their median income was $8,653, 39 percent of that earned by husband-wife families and down 11 percent in inflation-adjusted terms from the 1970 level. In 1982 over twenty

Table 1.1

SELECTED STATISTICS ON CHILDREN AND THEIR FAMILIES*

	1970	1980	1982
Number of Children (under 18)	69.6m	63.7m	62.7
Percent of Children Living Below Poverty Level	15%	18%	21%
White	11	13	17
Black	42	42	47
Percent of Families Headed by Females	10%	17%	19%
White	8	13	15
Black	30	47	46
Percent of Children Living with Mother Only	11%	—	20%
Percent of Mothers in Labor Force			
With Children 0-5	32%	—	50%
With Children 6-17 only	52	—	66
Infant Mortality (deaths per 1,000 live births)	20%	13%	11%
		1981	
Percent of Live Births in which Prenatal Care Began in First Trimester/No Prenatal Care			
All Mothers	68%	76%/1%	76%
Mother under 15	—	34/5	—
Mother 15-19	—	56/3	—
Percent of Children 1-4 Immunized for			
Measles	57%	64%	64%
Rubella	37	65	65
DPT	76	66	68
Polio	66	59	60
Median Income of Family with Children (constant 1981 $)	$23,954	$23,111	$22,041
Husband-Wife Family	$25,860	$26,319	$26,636
Mother-Only Family	$ 9,708	$ 8,761	$ 8,653
Percent of Children Receiving AFDC	9%	12%	11%
		1979	
Percent of Households with Children Receiving			
School Lunches	15%	16%	16%
Food Stamps	12	13	14
Medicaid	12	13	13

SOURCE: House Select Committee on Children, Youth and Families, U.S. Children and Their Families: Current Conditions and Recent Trends, May 1983; House Select Committee, Children, Youth and Families: 1983 A Year-End Report, March 1984.

percent of all children lived in poverty, with black children three times more likely than whites to be poor. In an attempt to alleviate the income problems, the majority of mothers now work: half of those with children under six and two-thirds of other mothers were in the labor force in 1982.

Despite this economic stress, children's health seems to be improving. Infant mortality in 1982 was eleven deaths per 1,000 live births, down from twenty in 1970, although the rate for blacks remains nearly twice that for whites. More mothers are entering prenatal care early with resulting improvements in the birth weight of their babies, and more infants are receiving timely immunizations. A serious problem still exists among teen mothers, who are much less likely than older women to get prenatal care early or indeed at all.

Changing Patterns of Federal Support

One major factor accounting for the improvement that has occurred in children's health has been the array of government programs enacted and expanded over the past two decades to improve the living conditions of children and youth. Twenty-five federal programs, listed in table 1.2, form the nucleus of the federal government's mandate to serve children and youth, covering the broad areas of social services, health, nutrition, education, employment, and income assistance.

As of 1981, federal spending on these programs totalled close to $52 billion. Of this total, the largest portion, about 35 percent, went for health care, most of it under the federal-state Medicaid program,

Table 1.2

FEDERAL OUTLAYS FOR PROGRAMS AFFECTING CHILDREN AND YOUTH

	FY 1981 ($ Millions)	Percent Change in Inflation-Adjusted Dollars FY 1981-1982	FY 1981-1984
SOCIAL SERVICES/CHILD CARE			
SSBG/Title XX	$ 2,813	-14.9%	- 13.5%
Child Welfare/Title IVB*	178	-15.2%	- 16.7
Foster Care and Adoption Assistance*/Title IVE	328	- 8.0	+ 19.0
Child Abuse and Neglect*/ P.L. 93-247	7	- 5.6	- 12.3
Head Start	766	+ 2.6	+ 9.7
WIN Child Care**	115	-23.7	-100.0
JJDP and Runaway Youth*	117	-36.3	- 19.8
CSBG	619	-61.4	- 48.0
Subtotal, Social Services	$ 4,943	-18.3%	- 14.4%
HEALTH			
Medicaid	$16,948	- 2.9%	+ 4.8%
MCH Block Grant	398	+22.3	- 5.9
PHHS Block Grant	118	+ 0.7	- 35.3
Mental Health* (ADM)	659	-23.3	- 25.7
Adolescent Family Life	4	+88.7	+185.1
Subtotal, Health	$18,127	- 3.0%	+ 3.2%
NUTRITION			
Food Stamps	$11,253	- 7.7%	- 14.8%
School Breakfast* and Lunch*	1,088	-35.7	- 40.7
Child Care* and Summer Food*	444	-23.5	- 34.6
WIC	930	- 5.6	+ 1.6
Subtotal, Nutrition	$13,715	-10.3%	- 16.4%
EDUCATION/TRAINING			
Compensatory Education	$ 3,354	-16.9%	- 11.7%
Education for Handicapped	1,035	+ 4.0	+ 6.1
CETA Youth Training	2,369	-50.3	- 53.1
Subtotal, Education/Training	$ 6,758	-25.4%	- 23.5%
INCOME ASSISTANCE			
AFDC	8,176	- 7.8	- 19.3
Subtotal, Income Assistance	8,176	- 7.8	- 19.3
GRAND TOTAL	$51,719	-10.1%	- 11.0%

*Obligations; outlays not available.
**Estimated outlays

which covers hospital, medical, and nursing home care for the indigent. Another 27 percent went for nutrition aid. Most of this took the form of spending for the federal food stamp program, though significant amounts were also spent on school feeding programs and WIC, the supplemental feeding program, for pregnant women and for infants and children. The remaining federal support to children's programs was split among three smaller sets of programs--income assistance, mostly aid to families with dependent children (16 percent); education and training (13 percent); and social services, chiefly the Social Services Block Grant (SSBG) program (10 percent).

Beginning in the late 1970s, the real growth of federal spending on many of these programs began to decline. But the cutbacks became more severe in the early 1980s with the adoption of key features of the Reagan Administration's Economic Recovery Program. Between 1981 and 1982, in fact, the real, inflation-adjusted value of federal support for these programs declined by 10 percent. Although Congress restored some of these cuts in subsequent years, moreover, by fiscal year 1984 federal spending on these programs was still 11 percent below its 1981 level. In some areas, moreover, the declines were more severe than this.

Education and Training. The sharpest drop in federal support for children and youth programs occurred in the education and training area. Federal spending in this field dropped by one-fourth between 1981 and 1982, and, despite growth in some components in subsequent years, stood at almost 24 percent below its 1981 levels as of 1984.

Much of the decline in this area is attributable to a major reduction in the youth training portion of the old Comprehensive Employment and Training Act program, which provided funds to local "prime sponsors" to support various training activities for youth. Not only were children affected directly by this cut, but also they were affected indirectly by the fact that the administration eliminated the CETA program as a whole, which provided training and some employment opportunities to parents. Although some portion of this training was restored by the Job Training Partnership Act enacted in 1982, it was far less extensive.

In addition to the CETA Youth Training cutbacks, significant cuts also occurred in the Compensatory Education for the Disadvantaged program, which supports instruction in reading and mathematics for educationally disadvantaged children living in low-income areas. The Education for the Handicapped program, which makes special education services available to the handicapped, was the only education and training program to experience growth during this period, though this occurred despite administration efforts to fold it into an education block grant.

Social Services. The cutbacks in federal spending were also particularly severe in the social services field, which includes support for foster care, adoption assistance, family counselling, day care, protective services and the like. Overall, federal social service funding declined by 18 percent between 1981 and 1982, as shown in Table

1.2. Despite some increased funding in subsequent years, moreover, this support remained 14 percent below its 1981 levels as of 1984.

The only child-serving federal social service program that experienced growth in inflation-adjusted terms between 1981 and 1982 was Head Start, which supports early childhood development programs for disadvantaged children. Expenditures on Head Start exceeded the inflation rate by almost 3 percent between 1981 and 1982, and by almost 10 percent for the entire period of 1981 to 1984.

In contrast to Head Start, federal support for the largest social service program, the Social Services Block Grant (SSBG), which provides assistance to states for a wide variety of social service activities, declined by 15 percent between 1981 and 1982. Despite a restoration of some of these cuts in FY 1984, spending on this program as of 1984 was still almost 14 percent below its 1981 level after adjusting for inflation. Since states spend about half of their SSBG funds on children's services, these cuts affected the levels of federal support to a wide variety of child welfare activities.

Similar cuts were also sustained by a number of smaller social service programs. These include the Title IV B child welfare program, which helps to support protective services, in-home care, and some day care; the child care support available to working welfare mothers under the Work Incentive, or WIN program; the juvenile justice and delinquency prevention programs designed to remove juveniles from adult jails and reduce juvenile crime; and the community services program, which

provides funds for community-based groups providing health, nutrition, and housing aid to lower income families in poor neighborhoods.

Nutrition. A third area where significant cutbacks occurred in the level of federal support to programs affecting children was in nutrition. Overall, federal support for nutrition aid declined by 10 percent between 1981 and 1982, and by 16 percent between 1981 and 1984. In dollar terms, the losses were greatest in the Food Stamp program, the largest of the federal nutrition programs. Over half of the 22 million people benefitting from this program are children. Between 1981 and 1982, federal food stamp expenditures declined by 8 percent; and between 1981 and 1984 they declined by 15 percent.

Not surprisingly, losses in food stamps make school-based feeding programs more important. However, the school lunch and school breakfast program, as well as the pre-school and summer feeding programs, were also cut back significantly. Even the popular WIC program, which provides nutrition supplements to infants and children and to pregnant women, was cut back. Despite growth in 1983, moreover, this program barely kept pace with inflation during this period of severe economic distress.

Income Assistance. Cutbacks in in-kind nutrition or social service programs might have been less damaging had growth occurred in the programs that provide those in need with the cash to purchase these services in the market. In fact, however, the major federal cash assistance program--Aid to Families with Dependent Children--was also cut during this period, by 8 percent between 1981 and 1982, and by

almost 20 percent between 1981 and 1984. Over seven million children in 3.6 million families received AFDC benefits in 1981 so that the impact of declining benefits in this program can be substantial.

Health. The one field of child service activity that experienced only modest cuts in federal support between 1981 and 1982 was health care. In fact, child-oriented health programs grew 3 percent faster than the inflation rate over the period 1981 to 1984. In large part, this performance reflected the pattern of funding under Medicaid, the largest of the child-oriented health programs. Medicaid provides grants to state governments in support of medical care for the indigent. Almost half of the beneficiaries in 1982 were children, and 13 percent of all payments went for children's services. Between 1981 and 1982, federal Medicaid outlays declined by 3 percent, largely through reductions in federal cost-sharing with states and increased state discretion over eligibility and reimbursement levels. Because of the rate of inflation in medical costs, however, Medicaid registered real growth of almost 5 percent over the entire 1981-1984 period.

Other child-oriented health care programs performed differently during this period. The new Maternal and Child Health and Preventive Health and Health Services block grant programs created in 1982 grew in funding levels between 1981 and 1982, but registered overall declines by 1984. These programs provide support for a variety of health services ranging from adolescent pregnancy aid through smoking and substance abuse prevention. The Alcohol, Drug Abuse and Mental Health program, by

contrast, experienced immediate reductions and ended up by 1984 with funding 25 percent below its 1981 level.

In short, significant reductions occurred between 1981 and 1982 in federal support for child-oriented programs. In fact, federal support in twenty of the twenty-five programs identified in Table 1.2 failed to keep pace with inflation during this period. Despite increases in some programs in subsequent years, moreover, this observation still held true for the 1981 to 1984 period.

This evidence of reduction in federal support for children's services does not, however, automatically mean that services to children declined by this amount. For one thing, federal resources are not equally dominant in all fields. In the social services field, for example, only about half of the funds comes from federal sources. The remainder are paid for by state and local governments. Conceivably, therefore, state and local action could offset these federal changes, either wholly or in part. In addition, private resources channelled through private, nonprofit agencies, are also potentially available to help support these activities. To understand the true impact of the federal changes, therefore, it is necessary to move from the budget figures at the federal level to the actual service providers on the local scene.

II.

The Nonprofit Sector Survey

It was to permit such an analysis that the Urban Institute Nonprofit Sector Project was launched in 1982. The goal of this project, as noted earlier, was to fill the serious gaps that exist in our knowledge of the scope and structure of the nonprofit sector in this country, to analyze the activities and characteristics of the country's nonprofit organizations, and to examine the impact on these organizations of recent changes in government policy at both the federal and state and local levels.

The results of this analysis are particularly pertinent to the field of children's services because of the major role that nonprofit organizations play in the delivery even of publicly funded services for children. In addition, these agencies provide a second line of defense when public resources are not available. Although nonprofit service agencies do not directly receive monies from AFDC, the Food Stamp Program, or the School Lunch Program, for example, they are affected indirectly by cuts in those programs by virtue of the increased demands they feel. Families who lost AFDC benefits and whose children are no longer eligible for free school lunches show up at YMCA food banks; families with reduced Medicaid coverage begin looking to free clinics for health care. As family budgets get tighter, because of unemployment and/or federal benefit reductions, the demand for a broad range of community services increases, straining the capacities of nonprofit groups.

To examine the capabilities of these agencies to shoulder this burden, we distributed a mail survey in late 1982 to 8,294 organizations located in twelve metropolitan areas and four nonmetropolitan counties across the country (as reflected in Table 1.3). These areas were chosen to provide a reasonable cross-section of the nation in terms of region, size of community, economic condition, population composition, and philanthropic activity. The organizations were identified with the aid of a team of local associates in each locality who were provided with a listing of nonprofit organizations registered with the Internal Revenue Service and asked to add to, or delete from, this basic list from local sources. The survey covered only public-benefit service organizations. It did not cover funding organizations, religious congregations, or organizations providing services chiefly to their own members, such as professional associations or labor unions. It also did not cover hospitals or private universities, for which alternative sources of data are readily available.

In eleven of the sixteen localities, the entire universe of such nonprofit organizations was surveyed. In the remaining five sites large samples of 800-1000 organizations each were used. This extensive coverage was designed to permit analysis not only at the level of the entire nation, but also at the level of individual localities.

Of the 8,294 organizations surveyed, 16 percent were deleted because they did not meet the study's nonprofit definition, were no longer in existence, or were not reachable. Of the remaining 6,868

Table 1.3

COMMUNITIES PARTICIPATING IN THE URBAN INSTITUTE SURVEY OF NONPROFIT AGENCIES

Metropolitan Area or Rural County
NORTHEAST
New York, N.Y.
Pittsburgh, Pa.
Rhode Island (Providence), R.I.
Fayette County, Pa.
NORTH CENTRAL
Chicago, Ill.
Minneapolis-St. Paul, Minn.
Flint, Mich.
Tuscola County, Mich.
SOUTH
Dallas-Ft. Worth, Texas
Atlanta, Ga.
Jackson, Miss.
Warren County, Miss.
WEST
San Francisco-Oakland, Calif.
Phoenix, Ariz.
Boise, Idaho
Pinal County, Ariz.

organizations, 3,411 responded, yielding an overall return rate of 50 percent.

To check on the representativeness of the resulting sample, a separate phone survey of a sample of nonrespondents was also conducted. This survey indicated that nonrespondents on the whole were somewhat smaller and somewhat less likely to be recipients of government funds than the respondents, but that they otherwise resembled the respondents along the dimensions of concern.

Of the 3,411 nonprofit organizations which responded to the survey, 1,090 were identified as primarily serving children and youth. This youth orientation was determined by looking at three features of each agency: the age of its clients, the services it provides, and the relative amount of funds it expends on services to children and youth. If children (0-11 years old) and youth (12-19 years old) combined comprised 50 percent or more of the agency's clientele, the agency was included in the child- and youth-serving (henceforth abbreviated to child-serving) agencies sample. Similarly, if the agency noted that it provided any of eight designated children's services and no other services, it was considered to be oriented to children and youth. Finally, if the agency specified that it devoted 80 percent or more of its expenditures to these eight children's services, it became a part of the child-serving agencies sample. The resulting subset of 1,090 agencies represents 32 percent of the entire nonprofit survey population.

It is important to note that while only 32 percent of the surveyed nonprofits have been identified as primarily serving children and youth, these agencies are clearly not the only ones offering services to that age group. An additional two-fifths of surveyed agencies indicated that children and youth made up between 1 and 49 percent of their client population; thus the findings in this report do not reflect all services to children and youth but, rather, all agencies which primarily serve children and youth. Indeed, it is conceivable that most children's services are delivered by agencies that are not primarily child-serving. However, we feel the agencies we have identified reasonably represent the changing status of nonprofit agencies serving children.

While all 1,090 agencies included in this study met at least one of the three minimum criteria for being designated a child-serving agency, many of the organizations are much more strongly oriented to serving the young. Looking for a moment at the first criterion, the age distribution of an agency's clientele, we find that 495 agencies, or 45 percent of the child-serving group, exclusively (100%) serve children and youth. For an additional 53 agencies, children and youth constitute between 95 percent and 100 percent of their clientele, making a total of 548 agencies, or 50 percent of the child-serving sample, with a clientele that is 95 percent or more under the age of 20. We will often refer to this subset of the children's agencies in the analysis which follows, as a way to focus more narrowly on agencies predominantly oriented to children and youth.

The group of 1,090 child-serving agencies appears to be representative of the twelve metropolitan areas and the rural counties included in the survey. Table 1.4 indicates the proportion of the respondents from each site which have been classified as child-serving agencies. The variation is modest, from 41 percent in Phoenix to 27 percent in San Francisco and in the rural areas. These differences may be partially due to real differences in focus among the sites, or due to differing degrees to which the names of nonprofit child serving agencies

Table 1.4

DISTRIBUTION OF CHILD-SERVING AGENCIES BY SITE

Site	Number of Child-Serving Agencies	Percent of All Respondent Agencies in the Site
Phoenix	74	40.7%
Jackson	38	37.6
Chicago	152	36.3
Pittsburgh	117	36.1
Dallas	103	33.7
Atlanta	91	33.5
New York	92	32.7
Providence*	103	28.3
Boise	33	28.2
Flint	24	27.6
Minneapolis/St. Paul	141	27.6
San Francisco	105	27.4
Rural Counties**	17	26.6
Total	1,090	32.0

were obtainable in the various sites. Such issues are explored in more detail in analyses of each site's survey information, published as separate reports by the Nonprofit Sector Project.*

The Report

In the following chapters we will describe the nonprofit agencies serving children and youth, examine their sources of funding, explore the initial impact on them of government retrenchment, and analyze how they responded.

Chapter 2 begins this analysis by describing nonprofit child-serving agencies in terms of their service focus, size, age, and clientele. Chapter 3 examines how these agencies finance their activities. Chapter 4 then looks at the impact of government retrenchment on child-serving agencies between 1981 and 1982, the first year of the Reagan budget cuts. It examines both the direct impact, involving changes in the amount of government funds flowing to nonprofit children's agencies, and the indirect affect, involving changes in the demand for services offered by these agencies. These changes can be expected to vary greatly among child-serving agencies, because (1) as table 1.2 suggests, different service areas have been affected differently by federal cuts; (2) some of the changes were still in process at the time over survey was conducted and probably took another year to go completely through the pipeline to affect local service

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*Publications to date cover survey findings in Pittsburgh, Atlanta, Rhode Island, the Twin Cities, San Francisco, and Chicago.

provision; and (3) agencies rely to varying degrees on government funds. Chapter 5 then reviews the success child-serving agencies had in generating other, private sources of funds to offset government losses and the extent to which they made changes in internal agency management and organization. Chapter 6 then draws on this evidence of change between 1981 and 1982 to make some concluding observations about the possible future of evolution child-serving nonprofits.

Chapter 2

THE NATURE OF CHILD-SERVING AGENCIES

Much of the organized provision of services for children and youth in this country originated with private, nonprofit organizations. This was a product of the "settlement house" movement of the late nineteenth and early twentieth centuries, and of sectarian children aid societies and foster care services of even earlier vintage. Since then, voluntary organizations have retained a significant role in the provision of services to children and youth, even after the expansion of governmental programs in this area. Yet, despite their importance, we know little about these agencies--their size, backgrounds, service offerings, or finances. The purpose of this chapter is to help remedy this lack of knowledge by identifying some of the major characteristics of child-serving agencies, including their service focus, size, age, and clientele.

I.

The Service Structure of Nonprofit Child-Serving Agencies

Distribution of Agencies Among Service Fields

The first step toward understanding the character of child-serving nonprofit organizations is to recognize that they are considerably more complex organizations, and provide a wider array of services, than is

commonly recognized. One evidence of this is the way these agencies responded to our survey questions about their service focus. The survey, geared to the total population of nonprofit service organizations, listed 70 discrete types of activities that nonprofits might provide--from adoption assistance through housing rehabilitation. Although the majority of these distinct services are not particularly oriented to children and youth, every one was offered by at least one of the agencies in our special child-serving agency subsample. In fact, the average child-serving agency indicated that it offered five of these distinct services.

To make sense of this service structure, we grouped these 70 services into nine broad areas such as health, social services, and institutional and residential care. Even with these broad categories, however, the child-serving agencies do not fit neatly into simple, well-defined cells. This is apparent in column 1 of table 2.1, which shows the percentage of all child-serving agencies that devote all of their expenditures to one of these broad service categories. As might be expected, the largest grouping is in the social services area, and the second largest is in recreation. However, even with a definition of social services that includes everything from day care and adoption assistance to emergency relief, the share of child-serving agencies that focuses exclusively on social services is still only 24 percent--larger than in the overall sample of nonprofits but still well below what might be expected given common conceptions of the character of children's agencies. To be sure, the proportion of exclusively social service

Table 2.1

DISTRIBUTION OF NONPROFIT CHILD-SERVING AGENCIES
BY TYPE OF SERVICE PROVIDED
(n=1,080)

	Agencies with ALL Expenditures in Service Category		Agencies with 50% OR MORE of Expenditures in Service Category		Agencies with ANY Expenditures in Service Category	
	(1) Child-Serving Agencies	(2) All Agencies Serveyed	(3) Child-Serving Agencies	(4) All Agencies Surveyed	(5) Child-Serving Agencies	(6) All Agencies Surveyed
Social Service	23.6%	11.8%	39.7%	23.6%	79.1%	66.5%
Institutional/Residential	2.0	2.4	6.6	6.2	15.4	16.0
Health	0.8	3.3	14.4	8.1	25.9	29.8
Mental Health	0.7	0.9	2.1	2.6	18.1	17.7
Employment/Training	0.5	1.1	2.9	4.1	23.8	24.9
Education/Research	4.9	6.5	12.5	13.0	40.9	43.3
Housing/Community Development	0.4	1.7	0.7	4.1	10.0	16.8
Recreation/Arts/Culture	10.5	11.8	19.9	18.4	38.6	36.4
Legal Services/Advocacy	0.4	1.5	1.2	3.5	18.4	24.6
Subtotal	43.8	41.0	89.9	83.6		
Other or Multiservice	56.2	59.0	10.1	16.4	--	--
Total	100.0	100.0	100.0	100.0		

providers would be higher if we were to restrict our attention to the "pure" children's agencies, those with clienteles that are 95 percent or more children and youth, rather than 50 percent or more as in the full child-serving sample. Even among these "pure" child-serving agencies, however, the proportion that are exclusively social service providers is still less than 40 percent, presumably mostly child day care centers. The most important fact to take away from column 1 of Table 2.1, therefore, is not that one-fourth of the child-serving agencies are exclusively social service providers and one-tenth exclusively recreation providers, but that 56 percent of these agencies do not fall exclusively into any one of these broad service categories at all.

To get a clearer picture of the service structure of child-serving agencies, it is therefore necessary to relax the definition of service focus somewhat. This is done in column 3 of Table 2.1, which reports the share of children's agencies that devote half or more of their expenditures to each of these broad service areas. Column 4 of this table provides comparable data on our full sample of nonprofits. For the remainder of this report, we will use this 50 percent figure as the basis for grouping agencies by service type.

As column 3 shows, even with this relaxed definition, 10 percent of the child-serving agencies cannot be fit into a single category. Nevertheless, 90 percent of the agencies can be categorized in terms of their principal activity. Of these, the largest group by far are the social service providers, which comprise about 40 percent of the child-serving agencies. This is consistent with conventional images of children's

agencies as heavily oriented towards social services. In fact, as column 5 of Table 2.1 shows, fully 80 percent of the children's agencies provide at least some social services, a higher proportion than for all nonprofits.

Although 40 percent of all child-serving agencies are social service providers, however, it is still notable that larger numbers of these agencies focus primarily on other fields. Of these, the two most common are recreation (20 percent of the agencies) and education/research (12.5 percent of the agencies). Beyond this, child-serving agencies are spread out among the remaining fields. Particularly noteworthy here is the slightly higher concentration of institutional and residential care facilities among the child-serving agencies compared to the total survey sample of nonprofits, and the considerably smaller concentration of legal services and advocacy organizations. In the latter case, a substantial share of the child-serving agencies report at least <u>some</u> advocacy activity even though it is not their <u>principal</u> activity, but even this proportion is smaller than the comparable figure for all nonprofits (18 percent vs. 25 percent). Evidently, a larger proportion of child-serving nonprofits than of all nonprofits think of themselves exclusively as service providers rather than partly as advocacy organizations.

From what has been said, it should be clear that child-serving nonprofits are far more diverse in their service structure than is sometimes recognized. Table 2.2 below summarizes the pattern that has emerged from our data, using a slightly different categorization scheme

Table 2.2

Distribution of Child-Serving Agencies by Broad Service Type, 1982

Service Type	Percent of All Child-Serving Agencies Devoting 50 percent or more of expenditures to service area (n = 1081)
Day Care	25.8%
Recreation	18.5
Mixed (employment, housing, advocacy, multiservice)	17.3
Social services (excluding day care)	15.1
Education/Research	11.0
Institutional and residential care	6.3
Health and mental health	6.0
Total	100.0%

that collapses some of the earlier categories to create more statistically manageable groupings and divides the social services group into two by splitting off the day care centers for the sake of greater clarity.

As this table makes clear, the largest group of child-serving agencies are day care centers. One fourth of the child-serving agencies devote half or more of their resources to child care services. Indeed, many of these agencies offer no other services. The category encompassing recreation, arts and culture contains the second largest group of child-serving agencies, 18.5 percent of the total. These 200

organizations focus much more on recreation services than on arts or cultural activities, and most offer employment and training or education services in addition to recreation.

"Mixed" agencies rank third in the categorization of child-serving agencies, accounting for 17.3 percent of nonprofits. This category includes agencies concentrating in employment and training, housing, legal services and advocacy as well as the multiservice agencies.

Social service agencies (excluding day care agencies) constitute 15 percent of the child-serving agency sample. These agencies tend to offer numerous social services, as well as other types of services. Most frequently provided are: individual and family counseling, information and referral, juvenile justice and delinquency prevention, and day care services.

Eleven percent of the child-serving organizations concentrate on education and research services. These agencies largely target their services to special populations, such as the deaf, children with cerebral palsy, or youth in correctional institutions. They are generally engaged in other, complementary, services too; private schools per se have been excluded from the survey sample.

Fairly small proportions of the child-serving agencies are in the health area.* Six percent focus on health or on mental health services, especially maternal and child health, health screening, and mental

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*Hospitals per se were not covered by our survey and are not included here.

health evaluation and testing. Another six percent are institutional and residential care agencies, primarily group homes and residential facilities for children.

Distribution of Expenditures Among Different Service Fields

Because of the tendency of agencies to provide services in more than one field, and the fact that agencies differ in size, a somewhat clearer picture of the service focus of child-serving agencies can be gotten by looking not at the share of agencies involved in each service category but at the share of total child-serving agency expenditures going into each category. This is done in table 2.3, which uses agency estimates of the proportion of their budgets devoted to different service categories to compute the total dollars expended by predominantly child-serving agencies for each of six broad categories of service. Although it was not possible to perform the same calculation for day care services, we can make a reliable estimate using the total funds going to day care services among day care agencies.

As table 2.3 shows, social services, including day care, consumes the largest proportion of the children's agency dollars. This is hardly surprising, since the social services category includes most of the discrete services clearly designed for children, such as adoption, foster care, and delinquency prevention. Of the total in this category, moreover, we estimate that about one-third--or about 10 percent of all child-serving agency expenditures--went for day care. Recreation

Table 2.3

CHILD-SERVING AGENCY EXPENDITURES
BY MAJOR SERVICE CATEGORIES
(n = 876)

Service Category	Percent of Total FY82 Expenditures (n = $468.1 million)
Social Service & Day Care	29.3%
Recreation	20.9
Institutional & Residential Care	17.1
Education/Research	13.4
Health and Mental Health	10.2
Employment & Training/Housing & Community Development/Legal Services & Advocacy	9.1
Total	100.0%

services rank second, largely because this category includes sport and youth clubs and camps, the other services clearly oriented to young people.

The proportion of total child-serving agency dollars going to different service types corresponds fairly well to the proportion of agencies classified as that type (see Table 2.2 above), because the agency classification does mean that the agency concentrates on a particular type of services. The one notable exception is institutional and residential care services, which receive 17 percent of all service dollars but are the principal focus of only 6 percent of child-serving

agencies. Institutional and residential care services tend to be substantially more costly than other children's services, and tend to be provided by the largest agencies; hence their dollar share is understandably larger than their share of agencies might suggest. The opposite relationship is evident in day care services: more than one-fourth of the child-serving agencies concentrate their efforts on day care, yet only ten percent of total service dollars go to provide child care. Since most day care is provided by day care agencies per se, this figure reinforces the earlier finding that day care agencies are small relative to other child-serving organizations and emphasizes the fact that child-serving agencies must vary greatly in size--a point to which we will return below.

Other Providers of Children's Services

The designated child-serving agencies are by no means the only nonprofit agencies providing children and youth services. This is apparent in table 2.4, which shows the proportion that child-serving agencies represent of all nonprofits offering selected child and youth services. This is reported separately for "predominantly child-serving agencies" (those identifying children and youth as 50 percent or more of their clients), and "exclusively child-serving agencies" (those identifying children and youth as 95 percent or more of their clients. As one might expect, day care is most clearly the domain of child-serving organizations: three-quarters of the agencies providing day care are predominantly child-serving agencies and half are exclusively

Table 2.4

CHILDREN'S SERVICES AND CHILD-SERVING AGENCIES

Specific Service	Total # of Nonprofit Agencies Providing the Service (n = 3,269)	% of All Agencies Offering the Service Who Have Children and Youth as 50% or more of Population (n = 1,075)	95% or More of Population (n = 538)
Child Day Care	625	75%	49%
Foster Care	91	67	27
Adoption	61	49	15
Other Child Welfare Services	210	60	27
Juvenile Justice and Delinquency Prevention	306	63	25
Group Homes	171	43	24
Kindergarten or Elementary School	176	65	44
Junior High or High School	140	46	22
Sports and Recreation Clubs	327	49	18
Youth Clubs and Activities	384	61	23
Day, Overnight or Resident Camping	324	62	22

children serving agencies. In fact, among the 471 child-serving agencies that provide child day care services, 279 indicated that they spend 50 percent or more of their funds on that service. Day care agencies are thus more likely than any other children's organizations to be single-function, single-constituency service providers. They also tend to dominate the children's social services category: one in every four child-oriented social services agency primarily offers day care services. Day care agencies must therefore be treated as a special category throughout.

Foster care, other child welfare services, and juvenile justice and delinquency prevention services also appear to be dominated by child-serving agencies, as do youth clubs and camping activities. In these areas, however, 40 percent of the agencies involved are not predominantly child-serving, demonstrating that a substantial portion of the services for children are provided by agencies that serve adults as well as children.

In other children's service areas, the dominance of predominantly child-serving agencies is even less complete. For example, half of the agencies offering adoption services, group home care, and sports activities are not primarily child-focused. This pattern of providing child welfare services amidst a variety of other service offerings is logical from both a service delivery and a historical perspective. Serving children and youth typically involves working with a family; it is difficult for a foster care or adoptive placement to be successful without concurrent family counseling, health screening, and other supportive social services. Similarly, in the recreation field, many sports organizations cater to all age groups. What these data suggest, therefore, is that, outside of day care and foster care, a substantial portion of children's services is provided by agencies that are not primarily child-serving and that are therefore not part of our sample, except by implication.

Contrasts Among Survey Sites

Table 2.5 presents the distribution of child-serving agencies by primary type of service delivery for each of the twelve metropolitan areas surveyed. Perhaps the greatest disparity is in the day care field. Both Dallas and Jackson have noticeably fewer day care agencies than average, while Phoenix, Flint, and Chicago have particularly high proportions of their child-serving agencies dedicated to day care. The low figures for Dallas and Jackson can be partially explained by the local service delivery structure. One Dallas respondent emcompasses 41 separate child care facilities. Jackson's five day care agencies include some very large Head Start programs. In Mississippi, Head Start funds go directly to the city, which then distributes the money in large amounts to local providers. Other states distribute the funds directly to local nonprofit agencies, and the grants tend to be smaller and more numerous. By contrast, t e high figure for Phoenix day care illustrates a very different phenomenon. As a Sunbelt retirement community, Phoenix has attracted a substantial affluent elderly population which has relied on privately-provided social services.* As a result, both nonprofit and government social welfare efforts have been more clearly directed toward children and youth, particularly in day care.

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*See Gutowski and Kimmich, Shades of Gray: A Portrait of the Elderly in Five Metropolitan Areas, Urban Institute Research Paper, 1981.

Table 2.5

DISTRIBUTION OF CHILD-SERVING AGENCIES BY TYPE AND BY SITE

	Number of Agencies	Type of Service[1] Day Care	Recreation	Mixed[2]	Social Services (excluding day care)	Education/ Research	Institutional/ Residential	Health and Mental Health
Chicago	152	36.2%	13.2%	12.5%	15.1%	13.2%	4.6%	5.3%
Dallas/Fort Worth	102	8.9	33.3	23.5%	9.8	10.8	3.9	9.8
New York City	91	20.9	29.7	20.9%	14.3	6.6	4.4	3.3
San Francisco	105	24.8	18.1	19.1%	12.4	15.2	5.7	4.8
Atlanta	90	22.2	23.3	12.2%	20.0	6.7	6.7	8.9
Minneapolis/St. Paul	139	23.0	16.6	15.1%	20.1	13.0	7.2	5.0
Phoenix	74	41.9	9.5	13.5%	13.5	8.1	9.5	4.1
Pittsburgh	115	32.2	13.0	14.8%	17.4	11.3	5.2	6.1
Boise	33	18.2	21.2	21.2%	18.2	3.0	9.1	9.1
Flint	24	37.5	16.7	0	16.7	12.5	4.2	12.5
Jackson	38	13.2	10.5	31.6%	21.1	7.9	10.5	5.3
Providence + R.I.	102	23.5	15.7	23.5%	8.8	15.7	7.8	5.9
Rural Counties	16	--	--	--	--	--	--	--
TOTAL	1081	279	200	187	163	119	68	65
	100%	25.8%	18.5%	17.3%	15.1%	11.0%	6.3%	6.0%

[1]Type of service is defined as the area in which an agency expends 50 percent or more of its funds.

[2]Mixed includes employment and training, housing and community development, legal services and advocacy, and multiservice agencies.

Like day care, the recreation area provides interesting contrasts among survey sites. Dallas and New York City have noticeably high proportions of recreation agencies, representative of the large cadre of older, established YMCA's and Boys Clubs in New York and the relatively limited emphasis on social service provision in Dallas. Phoenix has particularly few agencies of this type, consistent with the pattern of recent growth in its well-to-do elderly population.

In the case of the broad category of "mixed" agencies, one site has no agencies at all, primarily reflecting the small sample in that site. Elsewhere these agencies comprise anywhere from 12 to 25 percent of the total.

The variation among survey sites is relatively modest in the social services category, suggesting that child-oriented social service agencies have a well-established and not insignificant role in most communities. Similarly, there is little variation in the proportions of residential and institutional care facilities among sites, and only a modest degree of variation in the health and mental health proportions.

II.

The Size and Age of Nonprofit Child-Serving Agencies

Expenditure Size

Child-serving agencies can be categorized not only by the type of service they provide but also by their size. Table 2.6 presents the distribution of agencies by size class, defined by their total expen-

Table 2.6

NONPROFIT AGENCIES BY SIZE OF 1982 EXPENDITURES

	Percent of Agencies in Expenditure Class		Percent of Total Expenditures Made by Agencies in Each Size Class	
	Child Serving Agencies	All Surveyed Agencies	Child Serving Agencies	All Surveyed Agencies
Less than $100,000	38%	40%	3%	2%
$100,000 - $499,999	38	35	16	12
$500,000 - $999,999	11	10	13	10
$1,000,000 or more	13	15	68	76
	100%	100%	100%	100%
Mean	$582,102	$758,050		
Median	$157,000	$150,000		
Number of Agencies	876	2732		

ditures for 1982. What it makes clear is that smaller organizations clearly predominate in terms of number of organizations. Almost 40 percent of the agencies report annual expenditures of less that $100,000, and 75 percent less than $500,000. However, when we look at total expenditures among all child-serving agencies, the largest agencies predominate. Organizations with $1 million or more in expenditures comprise only 13 percent of the child-serving agencies but account for 68 percent of total spending.

This pattern of resource concentration in a relatively small number of large agencies is less pronounced among child-serving agencies than among all the agencies surveyed; and it is even less pronounced among the exclusively child-serving agencies than it is among the

predominantly child-serving ones. For all nonprofits, 76 percent of expenditures are made by organizations with $1 million or more in annual revenues. The comparable figure for predominantly child-serving organizations is 68 percent. For exclusively child-serving agencies (not shown in the table), it is 60 percent.

This tendency for child-serving agencies to be smaller than all nonprofits surveyed is confirmed by looking at the mean and median size of these agency groups, presented in table 2.6. The mean or average size of the child-serving agencies is substantially smaller than that of all nonprofits, though the medians are comparable, suggesting that child-serving agencies are clustered mostly in the middle range of the total sample of surveyed organizations. By contrast, both the mean and the median for the exclusively child-serving agencies are lower than those for all nonprofits, confirming that as agencies become more child-focused they tend to be smaller. Not surprisingly, this tendency is related to agency service type: the smallest agencies tend to be day care providers, and half of all day care providers are included in the group of exclusively child-serving agencies.

Table 2.7 shows how the different types of child-serving agencies vary in size. Day care agencies are clearly the smallest, with nearly 60 percent of them having expenditures of less than $100,000, compared to 38 percent of all child-serving agencies. Agencies concentrating on institutional and residential care services are clearly the largest: one-third of these agencies are in the $1 million or more category. Indeed, the average institutional and residential care facility is

Table 2.7

CHILD-SERVING AGENCIES BY TYPE IN ORDER OF SIZE
n=868

	Percent of Agencies with FY 1982 Expenditures of				
	Less than $100,000	Between $100,000-$499,999	Between $500,000-$999,999	$1 Million or More	Average Expenditures[b] (n=750)
Day Care	59%	30%	7%	4%	$ 229,478
Education/Research	40	34	14	12	553,529
Recreation	39	41	10	10	613,282
Health/Mental Health	20	43	24	14	621,459
Other Social Services	29	51	8	12	728,018
Mixed[a]	33	36	10%	21	966,760
Institutional/Residential	10	31	26	33	1,175,021
ALL	38%	38%	11%	13%	$ 633,516

[a]Mixed includes employment and training, housing and community development, legal services and advocacy, and multiservice agencies.

[b]Expenditure figures are based on a subset of surveyed agencies.

nearly six times as large as the average day care agency, testifying to the great diversity of children's agencies. Health and mental health organizations, education and research agencies, recreation agencies, and other social services agencies are clustered in the middle range of expenditure size. In the case of health and mental health, the size of the average child-serving agency is much smaller than that of all such agencies. It appears that the health agencies which focus on serving children tend to be smaller than the typical nonprofit health provider.

In short, the child-serving group of agencies is made up of a considerable group of small agencies, about half of which are day care centers; a slightly larger group of medium-sized agencies, many of which are chiefly providers of recreation, education, other social services and health care; and a small group of large agencies that contains a disproportionate representation of institutional care facilities and multipurpose agencies.

Agency Staffing

Another way to look at the size of child-serving agencies is in terms of the number of paid employees. The typical or median agency is fairly small, with five full-time and three part-time employees, comparable to the typical nonprofit included in our full survey (see table 2.8). The primary contrast is in the proportion of agencies which have any paid staff: child-serving agencies are noticeably more likely to have one or more full-time or part-time employees than are nonprofit agencies overall. This is partly due to the low representation among child-serving agencies of advocacy-oriented organizations, which may rely entirely on volunteer support from their target population.

Calculating the average use of paid staff reveals that child-serving agencies rely relatively more on part-time staff than do nonprofit organizations generally. The average children's agency uses 18 full-time and 14 part-time staff, while the average nonprofit uses 21 full-time and 11 part-time staff. Greater reliance on part-time staff

Table 2.8

STAFFING LEVELS IN CHILD-SERVING AGENCIES

Number of Staff	Child-Serving Agencies (n=1,044)	All Nonprofits Surveyed (n=3,246)
Full-Time Employees per agency		
Median	5	4
Mean	18.5	20.8
% of agencies having none	17.5%	23.8%
Part-Time Employees per agency		
Median	3	2
Mean	14.0	10.8
% of agencies having none	23.6%	29.7%
Volunteers per agency		
Median	10	10
Mean	66.2	52.4
Median Hours Per Month	10	10
Mean Hours Per Month	18.4	18.9

is consistent with the generally smaller nature of child-serving agencies; many day care centers operate less than full-time, and many neighborhood-based health and social service programs have evening hours as well as daytime hours, suggesting a need for part-time staff.

Smaller agencies also tend to rely relatively more heavily on volunteer help, both because they may operate closer to the margin and because of the type of services they tend to offer. Large institutional and residential care facilities are heavily staffed by paid professionals; candy-stripers, friendly visitors, and foster grandparents are important complements to the professional providers but are small in

number relative to the paid staff. On the other hand, many day care centers rely heavily on parent volunteers, on student aides, and on other nonpaid helpers. Indeed, Head Start centers are required to use parent volunteers as an in-kind contribution to their budget. The median child-serving agency uses ten volunteers for ten hours per month, exactly the same as the median nonprofit agency in the full sample. However, the mean level of volunteer use is substantially higher for children's agencies: the average child-serving agency benefits from 1,218 volunteer hours per month, the equivalent of $4,080 at a minimum wage rate of pay. By contrast, the average number of volunteer hours per month reported by all of our survey respondents was 990, about 20 percent less. Volunteers are thus a more significant factor in child-serving agencies' budget-balancing efforts than in those for all nonprofits.

In light of children's agencies' greater use of volunteers, it is interesting to look at whether these agencies have different attitudes about the effects of substituting volunteers for paid professional staff. The survey instrument included the statement, "Volunteers can be substituted extensively for paid professionals in nonprofit organizations without any significant decline in service quality." The vast majority of the child-serving agencies, 63 percent, strongly disagreed with this thesis, and another 17 percent mildly disagreed. This apparent contradiction between the heavy use of volunteers and the attitude that they are not truly effective substitutes for paid staff reflects the commitment to professionalism in the nonprofit child

welfare field. Increased use of volunteers may not be ideal but can in many cases prevent the necessity of abandoning services altogether.

Agency Age

One of the more striking features of child-serving agencies is their relative youth. As table 2.9 makes clear, two out of three child-serving agencies were formed since 1960, about the same as for all surveyed nonprofits. This is particularly significant in view of the suggestions by some that the growth of government displaced nonprofit organizations or stunted their growth. To the contrary, the data presented here suggests that government may have stimulated the expansion of nonprofit action. In fact, the proportion of new agencies tends to be lowest in those fields where the growth of government activity has been least pronounced (e.g. recreation services and education). On the other hand the newest agencies, those formed after 1970, tend to be concentrated in the areas of day care, other social services, health and mental health, and in the mixed category, where government growth has been especially extensive.

Child-serving agencies in general are newer and somewhat smaller than all nonprofit organizations. This pattern appears to hold true for every type of agency except recreation. Child-serving agencies that concentrate on providing recreation services tend to be the well established Y's, Boys Clubs, and Boy Scouts organizations, which have formed consistently throughout the past 50 years.

Table 2.9

YEAR ORGANIZATION WAS FORMED BY TYPE OF CHILD-SERVING AGENCY

Type of Agency	Year Formed			
	1930 or Earlier	1931-1960	1961-1970	After 1970
Day Care	7%	13%	32%	49%
Health/Mental Health	15	15	23	46
Mixed*	17	13	24	46
Other Social Services	18	17	19	46
Institutional/Residential	32	6	19	43
Education/Research	16	24	20	40
Recreation	25	27	22	27
All Child-Serving Agencies (n=1,074)	17%	17%	24%	42%
All Nonprofit Agencies (n=3,310)	15%	17%	22%	46%

*Mixed includes employment and training, housing and community development, legal services and advocacy, and multiservice agencies.

The data presented here thus suggest that there are three more or less distinct "types" of nonprofit child-serving organizations. At one extreme are a group of recently formed, neighborhood-based day care centers. These agencies represent about one-fifth of the organizations in our sample. At the other extreme are a group of older service providers, more heavily concentrated in the institutional and residential care and recreation areas and constituting only 12 percent of the agencies in our sample. In the middle are the majority of the child-serving agencies, a mixed group of mid-size new organizations and mid-size older ones that provide a wide range of services.

III.

The Clientele of Child-Serving Agencies

A final dimension of the child-serving agencies worth exploring is their client focus. Interestingly, the clientele of child-serving agencies is not simply children and youth. Young people are the predominant focus, but they are certainly not the only beneficiaries of these agencies' services. Not only do child-serving agencies offer many services not directed to children per se, but their child-focused services may also correctly be perceived as help to other family members, such as day care benefitting parents or mothers.

Table 2.10 identifies the extent to which child-serving agencies predominantly or moderately target services toward specific groups. The table underscores again the diversity of agencies that provide children's services. Although young people are the primary focus, adults and the elderly also receive attention. Four out of ten agencies moderately target their services to adults at the same time as they direct at least half their services to children or youth. Not surprisingly, the elderly are rarely a predominant focus of child-serving agencies, but they do receive moderate attention from eight percent of the agencies.

In terms of ethnic focus, 27 percent of child-serving agencies indicated that a least half their clients came from a particular minority group. The most frequent designation was black; nearly one in five agencies predominantly serve the black community, a somewhat higher percentage than for nonprofits overall but consistent with the higher

Table 2.10

CLIENT TARGETING BY CHILD-SERVING AGENCIES

	Percent of Agencies with More than	
	50% of Clients in Target Group (Predominant Focus)	10% of Clients in Target Group (Modest Focus)
Age Focus (n=1,070)		
Children (11 & under)	51%	82%
Youth (12-19)	28	62
Adult (20-59)	7	41
Elderly (60 & over)	1	9
Ethnic Focus (n = 923)		
Black	19%	47%
Hispanic	4	19%
Asian American	3	7
American Indian	1	3
Other Target Groups (n=901)*		
Working Class	52%	71%
The Poor	28	50
Single Parents	24	49
Unemployed	13	29
Disabled	9	13
Ex-offenders	2	5

*These categories are not mutually exclusive.

proportion of blacks among the under-20 U.S. population. Nearly half the child-serving agencies report that they at least moderately target the black population in their community.

Consistent with the small proportion that other ethnic groups comprise in the U.S. population, these other minorities receive relatively little concentrated attention from either child-serving agencies

or nonprofits overall. Less than 20 percent of the child-serving organizations moderately serve Hispanics, and only four percent predominantly target that group. Less than 10 percent of the agencies substantially target their services to Asian Americans or to American Indians, though larger proportions indicate that they serve these groups to some extent.

In addition to the ethnic group and age focus, the survey asked about several other target groups, populations that may be particularly vulnerable to government retrenchment and economic recession. The group receiving the most concentrated attention from child-serving agencies is the working class--over half the responding agencies predominantly target that broadly-defined group of people. By contrast only 28 percent of the agencies identify the poor as their major target group. And half of the agencies report that the poor do not comprise even 10 percent of their clients. This is comparable to figures for nonprofits overall, but it raises interesting questions about the charitable character of these organizations. Chapter 1 indicated that in 1982 twenty-one percent of all children lived below the poverty level; the percentage was 47 percent for black children. Poor children have substantially greater service needs than do children in higher income families, thus we would expect to find larger proportions of child-serving agencies targeting services on poor children. Are these agencies maintaining a broad client focus to enable them to utilize sliding fee scales for services? Are they offering a broad range of services to facilitate fund-raising from a variety of private sources?

These findings have implications for the likely reaction of child-serving nonprofits to the government budget cuts that occurred in the early 1980s. Sixty percent of the agencies believe that government funding is what helped cause nonprofit organizations to direct as much of their services to the disadvantaged as they do now; those more dependent on government monies tend to feel this even more strongly. As government funding decreases, there is thus reason to question whether child-serving nonprofit agencies will maintain their existing attention to the neediest--and least able to pay--or expand their services to the nonpoor. We will return to these questions below as we examine recent responses to government retrenchment.

Summary

Nonprofit organizations primarily serving children and youth are a diverse but nonetheless identifiable group. Although providing a wide range of services, child-serving agencies tend to focus most strongly on social services and recreation activities. Compared to the full survey sample of nonprofit organizations, child-serving agencies are more concentrated in the social services area and less in the areas of health, housing and community development, and legal services and advocacy. This is not to say that agencies in these fields do not serve children. To the contrary, children's services of all sorts are provided extensively by agencies that do not report children and youth as their principal clientele, a point that is important to bear in mind in evaluating the structure of children's services in the nonprofit sector.

In addition to their heavy concentration in the fields of social services and recreation, child-serving nonprofits also tend to be somewhat smaller and newer than all nonprofits, which may suggest a higher degree of vulnerability. Much of this difference reflects the prominence of small day care centers among the child-serving nonprofits. Indeed, the sample of nonprofit child-serving organizations seems composed of three more or less distinct groups of agencies--one group of newer, smaller agencies, mostly in the day care field, and created in the late 1960s and 1970s; a small cadre of older agencies, many of them in the fields of institutional care, recreation, and, to a lesser extent, social services; and a large, mixed group of moderate sized new and older agencies providing a wide array of services.

It is notable that child-serving agencies are not any more focused on the poor than are all nonprofits surveyed. This may reflect in part the presence of a large cadre of day care centers in the child-serving nonprofit agency sample. But it also probably reflects the funding base of the different types of child-serving agencies. It is therefore useful to turn from this discussion of the scope and structure of nonprofit child-serving organizations to an analysis of their sources of financial support.

Chapter 3

HOW ARE CHILD-SERVING AGENCIES FUNDED?

Just as child-serving agencies vary substantially in age, size and the services they provide, so too these agencies rely on a diversity of funding sources. What is more, different types of agencies combine funding sources in divergent ways. This chapter will explore the relative importance of government, individual giving, corporations, foundations, service fees and other income sources to child-serving agencies as a group, and to various significant subgroups of them.*

Major Sources of Funding: An Overview

Government. As reflected in Table 3.1 below, the major source of income of child-serving nonprofit agencies, even as of 1982, was not private giving, as is sometimes assumed, but government. Government accounted for 42 percent of the total revenues of the child-serving agencies we surveyed. What is more, nearly six in every ten agencies received some government aid, more than received support from any source other than service fees and charges. As Table 3.2 demonstrates, furthermore, government not only supported more agencies but also supported them more heavily than did most other sources: the average

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*Beginning in Table 3.1 and continuing throughout the report, we examine budgetary data utilizing a subset of 750 child-serving agencies that provided detailed information for both FY1981 and FY1982 on their total expenditures and the share of those expenditures coming from different funding sources. Only with this complete data is it possible to examine actual changes in government support between the two years.

Table 3.1

REVENUE SOURCES FOR CHILD-SERVING AGENCIES, FY1982

Revenue Source	Percent of Total Revenue from Source		Percent of Child-Serving Agencies with ANY Support from Source
	Child-serving Agencies (n = 750)	All Agencies	
Government	42.4%	38.4%	59.2%
Dues, Fees, Charges	21.5	29.6	69.9
Private giving:			
United Way	8.3	5.4	30.4
Religious Organizations	2.4	1.3	14.7
Other Federated Organizations	0.6	1.5	6.3
Direct Individual Giving	7.9	6.4	58.0
Corporate Gifts	3.5	3.2	32.5
Foundation Grants	3.4	3.5	37.3
Subtotal	26.1	21.3	NA
Endowment, Investment Income	5.1	4.6	31.7
Other*	4.3	5.7	24.0
TOTAL	99.4%**	99.6	

*Includes such things as sales of products, special fundraising events and rental of facilities.

**Does not add to 100 percent due to rounding.

government grant or contract was almost three times greater than the average United Way grant and eight times greater than the average foundation grant to child-serving agencies.

Private Giving. While government accounts for over 40 percent of the income of child-serving nonprofits, the six major sources of private giving together account for a much smaller 26 percent. Even so, as Table 3.1 shows, private giving played a slightly larger role in the

Table 3.2

REVENUES BY SOURCE FOR THE "AVERAGE" NONPROFIT CHILD-SERVING ORGANIZATION, FY1982

Revenue Source	Funding for "Average" Agency (n = 750)	Average Amount of Funding for those Agencies Receiving Support from this Source
Government	$268,358	$453,308
Fees/Charges/Dues	136,272	195,046
Private giving:		
United Way	52,546	172,847
Religious Organizations	14,954	101,961
Other Federated Funders	3,505	55,926
Direct Individual Giving	49,920	86,069
Corporate Gifts	22,214	68,281
Foundation Gifts	21,699	58,123
Subtotal	164,838	NA
Endowment/Investments	32,500	102,416
Other*	27,441	114,337
TOTAL (Expenditure of "Average" Child-Serving Agency, 1982)	$633,516	

*Includes such things as sales of products, special fundraising events and rental of facilities.

funding base of child-serving agencies than of all nonprofits. In large part, this is because of the relatively larger role played by United Way and by direct individual giving in the funding of children's agencies. United Way is the largest of the six sources of private giving to child-serving agencies, contributing over 8 percent of their income though reaching only 30 percent of the agencies. By contrast, United Way funds constituted only 5 of the revenues of all surveyed nonprofits. United

Way's more concentrated approach to funding children's services means that its typical grant was large relative to the amounts agencies received from the other sources of private giving. Recipients of United Way funds received on average $172,847, more than twice the amount received by the average child-serving agency tapping most of the other forms of private giving. Direct individual giving provided nearly as much funding to child-serving agencies as did United Way (about 8 percent) but was much more diversified than United Way support: well over half of the child-serving agencies received income from this source. Among all nonprofits, by contrast, direct individual giving accounted for a somewhat smaller 6 percent of total revenues.

The other four sources of private giving account for much smaller shares of the income of child-serving agencies and generally touch a more narrow range of agencies. Thus corporations and foundations account for only 3.5 percent and 3.4 percent of the income of these agencies, respectively, and reach only about a third of the organizations. Religious and other federated giving campaigns together account for less than 3 percent of total child-serving agency income and are available to even fewer agencies, though this means that the average grants are fairly substantial for agencies that receive them.

Service Fees. The third largest source of income for child-serving nonprofits, but the one that is relied upon by the largest proportion of agencies, is dues and service charges. Altogether, almost 70 percent of the agencies receive income from this source and it accounts for over 20 percent of their total revenue. This is somewhat less than the share

that fee income makes up of the income of all nonprofits (about 30 percent), but it is nevertheless significant. In fact, the average agency receiving income from this source generated a substantial $195,046 from it.

That government funds and dues and fees were among the largest, and most broadly tapped, of all the funding sources of child-serving agencies deserves special notice, for they are potentially contradictory in focus. Government funds tend to be directed at the most needy members of society, and are indeed seen that way by nonprofit agencies. Sixty percent of child-serving agencies believe that government funding has caused nonprofits to direct more services to the disadvantaged; those agencies more dependent on government support express this more strongly than others. By contrast, the use of dues, fees, and other charges for services requires a clientele that is able to contribute to the cost of service delivery, generally not the poor or otherwise disadvantaged persons. The fact that many child-serving agencies appear to rely on both these funding sources is reflected in the diversity of their client focus, as noted above. Serving the poor simultaneously with the non-poor may be a key to agency survival. But it can also create a tension within agencies, a tension that may become increasingly important if government support declines and agencies are forced to direct more of their services to a paying clientele. We will return to this issue in Chapter 5.

Endowment and Other Income. The remaining 9.4 percent of child-serving agency income comes from two other sources: endowment income and a variety of special fund raisers that we have collectively termed "other." Endowment income is the larger of the two by a slight margin. It provided about 5 percent of total income and was available to just over 30 percent of the agencies, more often the "mainline" social services and recreation organizations than the smaller and younger childrens' agencies. Endowed agencies obtained an average of $102,416 from their investments.

Other income accounted for over 4 percent of child-serving agency revenues but was used by less than a quarter of the organizations. When used, such fund-raising events and activities yielded a hefty average of $114,337 per agency.

Variations in Funding Patterns by Agency Size

Although government was the largest source of funding for child-serving agencies, it was clearly not the major source for all such agencies. Like all other funding sources, the availability of government support varies by agency size and service type. This is evident in table 3.3, which shows that government plays a significantly larger role in the funding base of large and mid-size agencies than of small agencies. In particular, 37 percent of the spending by mid-sized

Table 3.3

FUNDING PATTERN FOR CHILD-SERVING AGENCIES BY EXPENDITURES SIZE

Funding Source	Percent of Agency's Funds from Source: Small Agencies (Less Than $100,000) (n = 288)	Medium-Sized Agencies (Between $100,000 and $1 million) (n = 366)	Large Agencies ($1 million or more) (n = 96)
Government	22.6%	37.5%	45.3%
Dues, Fees, Charges	41.9	19.3	21.6
Private Giving:			
United Way	5.8	11.4	7.1
Religious/Other Federated Organizations	3.6	3.9	2.5
Direct Individual Giving	10.2	9.9	6.9
Corporate Gifts	3.5	4.0	3.3
Foundation Grants	4.9	4.6	2.9
Subtotal	28.0	33.8	22.7
Endowment, Investment Income	0.8	4.7	5.5
Other Income	4.7	4.0	4.4
Unspecified	2.0	0.7	0.5
TOTAL	100%	100%	100%

agencies, and 45 percent of the spending of large agencies, came from government in 1982. For agencies with expenditures under $100,000, by contrast, government accounted for 23 percent of the funds, still the second largest source of support, but well below the levels for the larger agencies.

While medium-sized and large children's agencies relied primarily on government funds, small agencies derived their support chiefly from dues, fees and charges. Forty-two percent of the expenditures of small

agencies came from service recipients, compared to 19 percent and 22 percent for mid-sized and large agencies, respectively. This is very likely due largely to the sizeable number of day care centers among the small agencies; over 80 percent of day care agencies charge participants for some portion of their services.

Compared to government support and fees and charges, agency reliance on private giving shows relatively little variation and little coherent pattern among agencies of different sizes. Private giving ranges from a low of 22.7 percent in large agencies to a high of 33.8 percent in mid-size agencies; small agencies fall in the middle of that range, with 28 percent of their revenues coming from private giving. Much of this variation is explained by two points: first, mid-size agencies rely more on United Way funds (11.4 percent) than on any other source of private giving, and that reliance is stronger than is shown by either large or small child-serving nonprofits. Second, small agencies rely relatively heavily on direct individual giving, both compared to other sources of private giving and compared to other sizes of agencies. Modest donations from individual citizens can make a noticeable impact on a small agency budget, while they can be more easily lost in the finances of a million-dollar-plus organization.

Corporations appear to play a comparable role in all sizes of agencies, but foundations are a somewhat more significant funding source for small and mid-size organizations. These two groups of agencies derived five percent of their FY1982 funds from foundations, while large agencies received only three percent of their funds from that source.

Variations in Funding Patterns By Service Field

The variations in the funding structure of child-serving organizations just described are not simply the product of agency size, however. They are also related to the nature of the services offered by the different sized agencies. This is evident in Table 3.4, which indicates the relative importance of various funding sources to children's agencies of particular types. What this table shows is that government dominates the funding base of almost all types of child-serving nonprofits, but that significant variations exist in the degree of government dominance and in the relative positions of private charity and fee income.

Institutional and residential care facilities show the heaviest reliance on government funds. These agencies tend to be group homes and children's residential facilities, probably deriving their public support from Title IVA/E and Medicaid. They are also the largest of the child-serving agencies suggesting a direct correlation between receipt of government money and agency size. Interestingly, while relying extensively on government support, these institutions make comparatively little use of fee income. This may reflect the considerable cost of institutional care and the inability of its clients to shoulder a larger share of this cost. Equally revealing is the relatively limited support these organizations receive from private giving. In fact, with regard to every source of private giving except one (religious and other federated giving) institutional and residential care facilities rank below the average for all child-serving nonprofits in terms of the share

Table 3.4

FUNDING PATTERNS AMONG CHILD-SERVING AGENCIES, BY SERVICE FOCUS

	Percent of Agency Expenditures Coming from Each Source							
	All Types (n=743)	Institutional/ Residential (n=53)	Day Care (n=170)	Mixed[a] (n=126)	Health and Mental Health (n=42)	Social Services (excluding day care) (n=115)	Education/ Research (n=80)	Recreation (n=157)
Government	42.4%	62.1%	58.5%	52.0%	49.2%	48.0%	31.4%	9.2%
Fees, Dues, Charges	21.5	11.9	20.5	18.8	16.8	16.2	30.1	33.3
Private Giving:								
United Way	8.3	1.1	12.2	6.3	7.6	14.7	2.3	11.4
Religious/Other Federated	3.0	6.7	1.6	3.3	0.6	2.9	2.8	1.3
Direct Individual Giving	7.9	7.0	1.6	6.5	8.9	5.5	12.1	12.3
Corporate Gifts	3.5	2.0	0.9	4.5	1.3	1.6	2.9	7.0
Foundation Grants	3.4	4.0	2.0	2.6%	2.6	3.0	4.3	4.9
Subtotal, private giving	26.1	20.8	18.3	23.2	21.0	27.7	24.4	36.9
Endowment, Investment Income	5.1	4.5	1.0	3.1	11.3	6.6	6.0	6.6
Other Income	4.9	0.6	0.8	2.6	1.8	1.6	4.2	13.5
TOTAL	100.0%	100%	100%	100%	100%	100%	100%	100%

[a]Mixed includes employment and training, housing and community development, legal services and advocacy, and multiservice agencies.

NOTE: See Table 3.1 for comparable figures for all child-serving agencies.

of total income provided. Clearly, these institutions are the most dependent on government support and therefore the most vulnerable to changes in government policy.

While institutional and residential care facilities rely unusually heavily on government support and unusually little on service fees and private giving, the opposite is true of child-serving recreation, education and research organizations. Recreation agencies, for example, received only 9 percent of their income from government in 1982, compared to 42 percent for all child-serving nonprofits. By contrast, these organizations received 33 percent of their income from service fees and 37 percent from private giving--much higher than for all child-serving agencies. This reflects the ability of the YMCAs, Boys Clubs, and summer camps that comprise this grouping to charge fees for their services. It also reflects their relatively extensive access to United Way funds, direct individual giving, corporate support, and proceeds from special fundraisers. In fact, though representing only 20 percent of all child-serving agency expenditures, child-serving recreation agencies absorbed 28 percent of the United Way support, 32 percent of the direct individual giving, 40 percent of the corporate aid, and 63 percent of the special fundraising income flowing to child-serving organizations.

A similar pattern is evident in the case of child-serving education agencies. Here as well, government provides a much smaller share of total income than is true of child-serving nonprofits overall. Correspondingly, fee income provides a much larger share. Unlike the

recreation agency group, however, the education/research do not rely much more heavily than all child-serving agencies on private giving. In fact, they exceed the average only with respect to their direct receipts from individuals.

The remaining four types of child-serving agencies—social services, health and mental health, day care, and "mixed"—all more closely resemble the funding pattern of institutional/residential care agencies than of recreation ones. In each of these cases, government is not only the major source of funding but accounts for half or more of total income, above the average for all child-serving agencies (42 percent) and well above the average for all nonprofits in our survey (38 percent). By contrast, these four types of agencies receive only 15 to 20 percent of their income from service fees and charges, which is below the average for child-serving agencies as a group and well below the average for all nonprofits in our survey. Finally, except for the social service agencies, which are on the margin, these four types of agencies receive less of their income from private giving than is true of child-serving agencies as a group (18 to 23 percent vs. 26 percent). Their performance with respect to private giving, however, is still on a par with, or slightly better than, that of all nonprofits in our sample. In the case of day care and other social service agencies, this is largely a product of the availability of United Way support. In fact, over 30 percent of all United Way support to children's agencies flows to the social service providers. The "mixed" agencies, which includes multiservice agencies, employment and training, housing and

community development, and advocacy organizations have a more varied private funding base, reflecting the diversity of this set of agencies. Particularly noteworthy here is the concentration of corporate support in these agencies. With 26 percent of total expenditures, this mixed group of agencies absorbs 33 percent of the corporate support flowing to child-serving nonprofits. Health and mental health agencies, finally, perform better than average only with one private funding source--direct individual giving. However, these agencies were able to supplement their receipts from private giving with higher-than-average endowment income.

Before jumping to conclusions about the meaning of these funding patterns, it is important to acknowledge that even this differentiation of agencies by service type obscures a considerable amount of diversity among individual agencies. While close to 60 percent of the total income of the day care centers in our sample comes from government, for example, 78 of the 170 day care centers for which we have complete revenue information reported receiving no support from government. These agencies relied instead on service fees, United Way, and other private funding sources. Not surprisingly, almost all of these non-government-supported day care agencies were small, with total expenditures under $100,000. By contrast, the few million-dollar plus agencies all relied heavily on government support. Behind the aggregate figures on day care funding patterns, therefore, are two rather distinct sets of agencies, one of which relies heavily on government funding and includes most of the larger agencies, and the other of which is largely supported

out of private funding sources, mostly fees, and consists mostly of smaller agencies.

Despite this caveat, however, it seems clear that a distinctive pattern exists in the funding of child-serving nonprofit organizations. In particular, of the seven major types of child-serving nonprofits identified in Table 3.4, only two--recreation and education/research--operate the way conventional images of the nonprofit sector sometimes assume: with most of their funding coming from private sources. In both of these cases, however, just about as large a share of income--if not more--comes from service fees and charges as from private philanthropy. Still, these two types of agencies absorb a disproportionate share of the private giving flowing to child-serving agencies. In particular, with 30 percent of child-serving nonprofit expenditures, these two types of agencies account for 37 percent of the endowment income, 41 percent of the foundation support, 46 percent of the direct individual giving, 48 percent of the corporate support, and 72 percent of the special fundraising income flowing to all child-serving agencies.

By contrast, the remaining five types of child-serving nonprofits--those providing institutional and residential care, day care, other social services, health and mental health services, and a variety of training, community development, and advocacy activities--rely much more heavily on government support. In fact, over half the services provided by these agencies are financed by government. By contrast, these agencies have far less access to fee income than either the child-

serving recreation and education agencies, or the average nonprofit in our total sample. One reason for this may be that these agencies provide services of a sort that are needed most by families in social and economic trouble, such as female-headed households, which, as we have seen, are growing in numbers. In addition to limited access to fee income, however, these five types of agencies apparently have relatively limited access to private philanthropic income as well. Except for United Way, which is particularly important for day care and social service agencies, these agencies have generally been unsuccessful in tapping private philanthropic sources or special fundraisers for substantial shares of their income. What this means in practice is that these five of the seven major types of child-serving agencies are even more vulnerable to changes in government funding than all nonprofits.

Agency Attitudes Toward the Funding Sources

In view of the extent to which government has become a major funder of nonprofit action, important questions have arisen about the impact of government funding on the independence and character of nonprofit agencies. Some observers argue, for example, that government support threatens to alter the goals of nonprofit agencies and undermine the influence of volunteer boards of directors.

To what extent do these concerns appear to be justified in the case of child-serving nonprofit agencies? Table 3.5 provides part of the answer to these questions, recording the responses of the surveyed child-serving agencies to several attitudinal questions relating to government, corporations, and foundations as funding sources.

Table 3.5

ATTITUDES OF CHILD-SERVING AGENCIES REGARDING FUNDING SOURCES

Statements	Percent of Agencies that Agree	Neither Agree Nor Disagree	Disagree
Nonprofits are too dependent on government funding	50%	19%	32%
Government makes too little use of nonprofits	56%	27%	16%
Federal funding has distorted agency activities and objectives	22%	24%	54%
Corporations and foundations are easier to deal with than government	54%	24%	23%
Corporations don't normally support organizations like ours	52%	10%	37%

As this table shows, about half the children's organizations agree that nonprofit agencies are too dependent on government funding. But an even larger majority feels that government makes too little use of nonprofits. These apparently contradictory views can be explained by several factors. First, a concern about overdependence on government may reflect not only an understandable fear of vulnerability in a time of government retrenchment, but also a dissatisfaction with the paperwork, monitoring, and evaluation burdens associated with government grants. Second, there has long been debate in philanthropic and academic circles abut the best relationship between the public sector and the nonprofit "voluntary sector." Nonprofit organizations of all

Chapter 4

THE IMPACT OF GOVERNMENT RETRENCHMENT ON CHILD-SERVING AGENCIES

As the previous chapter made clear, government is a major presence among nonprofit child-serving agencies. The majority of agencies receive funds from one or another level of government--federal, state, local--and the average agency derives over 40 percent of its funds from these public sources. Between 1981 and 1982, moreover, substantial reductions occurred in the value of federal support for child-serving programs, as outlined in Chapter 1. Overall, federal spending on children's programs declined in value by 10 percent. In the social services field, where nonprofits are particularly active, the reductions were an even larger 18 percent. It seems to belabor the obvious, therefore, to inquire whether child-serving agencies have been affected by these national budget changes and, if so, by how much.

In point of fact, however, federal resources are not the only ones supporting children's services. To the contrary, in many of these fields there is an active tradition of state and local involvement. State and local action could therefore have mitigated, or intensified, the impact of federal retrenchment on nonprofit organizations. Beyond this, it takes time for federal policy changes to work their way through the system and begin to affect actual service providers. It is therefore quite possible that changes implemented at the federal level beginning in October 1981 would still not be apparent in the balance sheets of agencies as of late 1982. Finally, whatever the impacts, it could be expected to vary substantially from program area to program area, and from agency to agency.

For all these reasons, of the impact of federal retrenchment on child-serving nonprofit organizations is far from obvious. It is the purpose of this chapter to examine what this impact really was, at least as of early 1983, when our survey was completed. Of concern here, moreover, are both the direct effect of retrenchment on the revenues of nonprofit agencies and the indirect effect on the need or demand for nonprofit services.

I.

Changes in Government Support

Proportion of Agencies Experiencing Gains and Losses

Our survey utilized two different approaches to assess the impact of federal budget cuts on nonprofit agencies. First, agencies were asked directly whether they had experienced changes in their levels of government support between 1980 and 1982, and, if so, whether the changes were substantial (over 10%) or moderate (under 10%). Second, agencies were asked to report their total expenditures for 1981 and 1982 and then to note what share derived from government and other sources. By focusing on agencies for which complete or "paired" data were available for both years, it was possible to calculate actual changes in government support between these two years.

Neither of these two approaches by itself can provide a full and accurate picture of the impact of the federal budget cuts on local child-serving agencies. The first approach is more forthright and easier to answer, but yields only crude estimates of the directions of

kinds seek some ideal balance between government support and government control. Government should make more extensive use of nonprofit organizations in local areas, so the argument goes, because they know the communities and they already have service delivery systems in place. However, nonprofits should not find themselves tied to government funding to such an extent that they lose their independent identity and legitimacy in the community. The ideal, it appears, is for nonprofit agencies to expand enough to assist government providers as well as maintain the unique interests of the nonprofit sector.

Based on the survey responses recorded in Table 3.6, it appears that most child-serving nonprofits believe that this balance has been maintained. Over half of the child-serving agencies feel that the receipt of federal monies has <u>not</u> distorted their agency's activities and objectives. Although the risk is clearly there, only twenty-two percent of the agencies feel that federal funding has distorted their missions.

In light of agencies' substantial concerns abut the nonprofit-government reltionship, it is hardly surprising that the majority of child-serving organizations (54%) find that corporate and foundation funding sources are easier to deal with than are government funders. However, corporate and foundation funds may not always be available as an alternative to seeking government support. The number of applications received by the average foundation or corporation has grown substantially in recent years. The preceding discussion has also suggested that corporations and founations have different service

priorities than government, and may not be as interested in supporting programs that were previously the purview of the public sector. Over half of child-serving agencies think that this is the case, agreeing with the statement that "corporations in our area do not normally support organizations like ours." Day care agencies made this statement most frequently (78%), recreation agencies least often (33%). The tendency for different types of agencies to feel optimistic about corporate funding closely corresponds to the current level of corporate support enjoyed by that type of agency.

Conclusion

Current patterns of funding vary substantially among child-serving agencies, with some service types and sizes relying more frequently than others on particular funding sources. Despite this diversity, however, one source of support stands out among all the others in the financing of child-serving nonprofit action: government. Government has turned extensively to nonprofit agencies to help it carry out the responsibilities it has assumed for assisting children and youth. As a result, government now constitutes the major source of support for child-serving nonprofit action, outdistancing private giving and fees for almost all types of agencies. It is for this reason that the government budget cuts proposed in the early 1980s posed such a threat to nonprofit child-serving agencies. Against the backdrop of agency funding patterns presented above, it is therefore important to look at the initial impact that the budget cuts appear to have had on child-serving nonprofit agencies, and at the way other sources of support responded.

change. What is more, there is probably some tendency to respond in terms of expectations and thus to overstate the incidence of change because answers are not constrained by overall budget data. Additionally, agencies may be expressing their sense of qualitative changes or anticipated changes, when in fact the loss of funds has not yet been fully felt. On the other hand, this approach takes no account of changes in the value of the dollar as a result of inflation and can therefore understate the loss of purchasing power that has occurred. The second approach is more precise but also more complex, which means that the number of valid responses is somewhat smaller. The best way to understand what is going on, therefore, is to utilize both of these approaches simultaneously.

Using the first approach mentioned above, it is clear that the cuts in government funding of children's services in the early 1980s did affect child-serving nonprofit agencies, though not quite as extensively as might have been assumed. More than four in ten child-serving organizations (42%) reported they had experienced decreases in government financial support between 1980 and 1982, twice the number that indicated increases in government funding (19%). A relatively large number of agencies (39%) said they had experienced no change, although in many of these cases the agency had not at any time been a recipient of government funds. In addition, in a time of inflation, no change in the flow of government funds represents a real decline in the value of that public support. In sum, more than twice as many child-serving organizations reported declines in government funding as

reported increases, and this disparity would be even larger if inflation were taken into account.

Extent of Changes in Government Support

A clearer picture of the extent of cuts in government support to child-serving nonprofits is evident in Table 4.1. This table reports the actual percentage change in government support to various types of child-serving nonprofits before and after adjusting for inflation. Unlike the prior discussion, moreover, the data here focus on the more limited time span of 1981 to 1982, the first year of the Reagan budget cuts and the year for which the most solid data were available.

What this table shows is that children's organizations as a group actually registered a modest increase in government support between 1981 and 1982. Once this is adjusted for inflation, however, it translates into a decline of 3.4 percent in the value of government support. Even so, this compares favorably with all nonprofits in our overall agency sample, which experienced a drop of over 6 percent in their government suppport after adjusting for inflation.

A closer look at Table 4.1 reveals, however, that the apparent success that child-serving nonprofits have had in evading some of the more severe effects of national budget cuts may be somewhat misleading. In particular, a significant part of the explanation for this aggregate picture is attributable to the unusal performance of the health/mental health and institutional care organizations. Both of these sets of

Table 4.1

CHANGES IN GOVERNMENT SUPPORT FOR CHILD-SERVING AGENCIES, FY1981-1982, BY AGENCY SIZE AND SERVICE FOCUS

Type of Agency	Number of Agencies	Percent Change in Expenditures from Government: Nominal Change	Percent Change in Expenditures from Government: Inflation-adjusted Change
ALL NONPROFIT AGENCIES	2,304	- 0.7%	- 6.3%
ALL CHILD-SERVING AGENCIES	750	+ 2.3%	- 3.4%
Service Focus			
Health/Mental Health	42	+19.1%	+12.4%
Institutional/Residential	53	+ 6.1%	+ 0.1%
Other*	126	+ 2.0%	- 3.8%
Other Social Services	115	+ 1.1%	- 4.6%
Day Care	170	- 2.0%	- 7.5%
Education/Research	80	- 2.4%	- 7.9%
Recreation	157	- 5.9%	-11.2%
Expenditures			
Small (less than $100,000)	288	0.0%	- 5.7%
Medium ($100,000 to $999,999)	366	+ 3.1%	- 2.6%
Large ($1,000,000 or more)	96	+ 2.1%	- 3.7%

*Other includes employment and training, housing and community development, legal services and advocacy and multiservice agencies.

organizations enjoyed significant increases in their government support between 1981 and 1982, largely as a result of the continued growth of Medicaid funding, which more than offset reductions in other federal support for health services.

By contrast, all other categories of child-serving agencies suffered losses in their government support after adjusting for inflation. For example, the mixed category, including largely employment and training agencies and multiservice organizations, lost almost 4% of their government support, though this was somewhat less than might have been expected given the magnitude of the federal cuts to employment programs. Most of these child-serving agencies losing large amounts of public support did indeed lose CETA monies, but they also relied on state funding that seems to have cushioned them in part from the federal cuts.

In the social services area, where federal reductions were substantial, child-serving agencies (excluding day care) registered a five percent real decrease in government support. While significant, this was still below the eight percent drop experienced by all social service agencies in our total sample. This can be explained by several trends in public child welfare services. First, states did not generally pass on Title XX/Social Service Block Grant cuts proportionately to all service areas; child welfare services were often a high priority and so felt the cuts relatively less than other social services. Second, new federal dollars for foster care and adoption assistance began flowing to states under P.L. 96-272, passed just prior to the Social Services Block Grant in 1981, and this counteracted some of the funding losses. Third and most important, public child welfare services are at least half supported by nonfederal funds; Title XX funds thus have relatively less impact on children's services than on other social

services. Indeed, the largest children's social services agencies among those responding to the Urban Institute survey rely on local and state support in addition to or instead of federal government funding. Their varied services tend to be designed for broad family needs, thus increasing their appeal to state and local general-fund decision-makers.

Compared to the other child-serving social service agencies, child day care agencies experienced a sharper reduction in their government support (-7.5 percent). Here again, however, the experience of these child-serving agencies, while significant, was still less severe then that of all social service agencies in the total survey population, which lost almost 9 percent of their government support. One reason for this is that many of the larger day care centers are supported by Head Start monies, which were generally spared from the cuts. In FY 1982 Head Start funding was twice that of the Title XX funding that went to day care. Several individual day care centers that relied heavily on Title XX were devastated, but the Head Start centers remained relatively steady, making the aggregate effect on day care agencies look less severe than for social services agencies overall.

Faring somewhat worse than day care agencies were the education and research organizations, largely educational programs for special populations. While many of these agencies tapped federal CETA, Title XX or ESEA funds, their limited governmental support came more often from special state programs, which, in times of tightening budgets, tended to be reduced or eliminated.

Recreation-oriented child-serving agencies experienced the sharpest reductions in government support, sharper even than their counterparts in the total agency sample. In large part, however, this reflects the fact that these agencies started from a relatively small base of government support. The federal government funds which these recreation agencies received were primarily CETA funds for Public Service Employment (PSE) positions and for youth training. CETA was eliminated by the Reagan Administration, replaced by a weaker Job Training Partnership Program that lacks specific funding for both public service jobs and for youth.

Table 4.1 also distinguishes the impact of government funding reductions by agency size. Interestingly, small, medium and large agencies all experienced losses in government support, though the small agencies lost somewhat more than the others. This is in sharp contrast to the figures for the total sample of nonprofit organizations, where small agencies increased their government support by over 10 percent. The explanation lies in the service focus of small child-serving agencies: most are engaged in providng day care, education/research, or recreation services, all areas which witnessed large losses in government support.

In sum, child-serving agencies experienced serious losses in government support in particular service areas even though they fared better than the total survey population of nonprofit organizations. The individual organizations which did the best in the face of government policy changes were those that were either involved in delivering

Medicaid-related health services or were largely independent of government funding to begin with. While the number of agencies in these two categories is sizable, the fact remains that the major nonprofit providers of children's social services, day care, education, and recreation services were significantly harmed by the recent cutbacks in government support.

II.

Impact of Government Retrenchment on the Demand for Children's Services

Child-serving agencies are not only feeling the direct effects of government retrenchment on their own operating budgets, but they are also beginning to see broader indirect effects, reflected in community demand for services. As food stamp eligibility is tightened, families turn more to emergency food banks; as unemployment rises and federally-supported job programs are eliminated, social workers increasingly receive requests for child protective services and mental health counseling. To the extent that nonprofit children's agencies offer services comparable to those most affected by government cutbacks, those agencies can expect to see more people come to them for help.

Gauging the extent of these shifts in demand is complicated, however, by the absence of baseline data and by the difficulty of distinguishing between changes resulting from altered economic circumstances and those resulting from shifts in government spending levels. Nevertheless, Table 4.2 provides a rough indication of the

Table 4.2

CHANGES IN DEMAND FOR SERVICES PROVIDED BY CHILD-SERVING AGENCIES DURING THE PAST YEAR,1981-1982

Type of Agency	Number	Percent of Agencies Experiencing Increases	No Change	Decreases
ALL NONPROFIT AGENCIES	2,936	44%	49%	8%
ALL CHILD-SERVING AGENCIES	967	40	51	10
Service Focus				
Other*	170	61.2%	32.9%	5.9%
Social Services	158	54.4	38.6	7.0
Health/Mental Health	64	53.1	43.8	3.1
Education/Research	105	34.3	60.0	5.7
Recreation	171	30.4	62.6	7.0
Institutional/Residential	66	28.8	47.0	24.2
Day Care	233	22.7	62.2	15.0
Size				
Less than $100,000	284	35.6%	56.0%	8.5%
$100,000 to $999,999	409	45.2	45.2	9.5
$1,000,000 or More	102	50.0	39.2	10.8

*Other includes employment and training, housing and community development, legal services and advocacy, and multiservice agencies.

extent to which the child-serving nonprofits we surveyed observed a change in the demand for their services during the first year of the Reagan economic recovery program, a year that witnessed both a reduction, in government support for a range of children's services and a significant economic recession.

As this table shows, 40 percent of all child-serving nonprofits reported an increase in the demand for their services during this one-year period. This is slightly less than the 44 percent of all nonprofits surveyed that reported increases in demand. This disparity

Table 4.3

ANTICIPATED CHANGES IN GOVERNMENT SUPPORT, 1982-1983
(n = 769)

Percent Change in Anticipated Government Support	Percent of Agencies
Large Decrease (more than 10%)	15%
Small Decrease (less than 10%)	18%
No Change	48%
Small Increase (less than 10%)	15%
Large Increase (more than 10%)	4%

very likely reflects the different service orientations of the two groups of agencies—in particular, the relative absence among the child-serving agencies of the legal services and employment and training agencies that were hardest hit by government cutbacks.

While "only" 40 percent of all child-serving nonprofits reported increases in demand for their services, much larger proportions of certain types of agencies reported such increases. In particular, over half of the social services, health/mental health and "other" (employment and training, housing and community development, legal services, advocacy, and multipurpose) agencies reported increased demand for their services. In the case of the social service and other agencies, this reflects the significant decreases in government funding that occurred. In the case of the health and mental health agencies, it may reflect the impact of the recession on individual psyches and family stability.

While some types of child-serving nonprofits reported higher-than-average increases in demand, however, others reported lower-than-average increases. This was most clearly true in the day care area, where only 23 percent of the agencies reported increases in demand for their services between 1981 and 1982. The explanation for this lies in the composition of these day care agencies. The majority are small and largely independent of government funding; they are supported by service fees and by contributions from United Way and other private sources. These small privately-supported day care centers attract a substantially different population from the Title XX subsidized centers. In addition, it is important to remember that although day care centers as a whole faced a real decrease in government support, that figure primarily reflects the situation of the minority of large, federally-supported day care agencies.

More institutional and residential care facilities reported decrease in demand than was true for any other type of organization, perhaps partially due to the impact of P.L. 96-272, the Adoption Assistance and Child Welfare Act of 1980. P.L. 96-272 created financial incentives for public child welfare agencies to reduce their use of institutional care in favor of increased preventive and supportive services to reunite families and avoid unnecessary separation of children and their families. The small group of institutional and residential care facilities sampled here includes many group homes and emergency shelter facilities that would likely be affected by this policy shift.

Differential patterns of change in demand are also evident among child-serving agencies of different sizes. The largest children's organizations experienced the most increase in demand for their services. Small agencies demonstrated the most stable demand, reflecting their relatively low level of dependence on government funds and the presence among them of a sizable number of small day care centers.

Implications for the Future

Nonprofit child-serving agencies as a whole experienced a modest decrease in government funding between 1981 and 1982, with larger social services agencies being hit particularly hard by the combination of reduced revenues and increased service demand. What were expectations for the 1982-1983 period? What attitudes were colouring service planning efforts by children's agencies?

Table 4.4 presents agency responses to a question about anticipated changes in government funding between 1982 and 1983. A sizable 80 percent of all child-serving agencies expected government support to remain constant or decline over this period (see Table 4.1). Only 19 percent anticipated growth in government support. Quite clearly, to meet increased demands, child-serving nonprofits would have to turn elsewhere for support.

To what extent have these agencies succeeded in finding other sources of support? Have they been able, as a result, to compensate for the government reductions sustained thus far? To what extent have they been able to meet the growing demand for their services? And how does this vary among types of agencies? The following chapter looks at how child-serving organizations coped in 1982 through appeals to other funding sources and through internal organizational changes. We then turn in a final chapter to the implications these findings have for the future of child-serving nonprofit agencies.

Chapter 5

THE RESPONSE TO GOVERNMENTAL RETRENCHMENT?

How have child-serving nonprofit organizations responded to the reductions in government support and increases in demand documented in Chapter 4? Did these agencies manage to find alternative sources of support? Did their success in this regard vary greatly in any systematic way? In particular, did the agencies hardest hit by government retrenchment do the best with alternative funding sources, or did prevailing patterns of funding accentuate the impact of the government cuts? Finally, what other responses did nonprofit agencies adopt to cope with the cutbacks?

The purpose of this chapter is to explore the answers to these questions. In particular, the chapter focuses first on the success with which child-serving nonprofits found alternative sources of support to finance their activities, and then examines the other measures these agencies took to cope with governmental retrenchment.

I. Changes in Funding

Overall Change in Total Revenues

Despite the aggregate loss in government financial support they sustained, child-serving agencies as a group managed to generate an overall increase in their income between 1981 and 1982, even after adjusting for inflation. Total spending by the 750 children's agencies in our sample increased by 2.1 percent in inflation-adjusted dollars, somewhat better than the overall gain of 0.5 percent posted by the total survey population of nonprofit agencies.

This aggregate picture masks important variations in the overall performance of different types of agencies, however. This is apparent in Table 5.1, which compares the real change in total agency expenditures with the real change in government funding, overall and by type of agency. The sharp contrasts which emerge reveal again the diversity among child-serving agencies in both their sensitivity to government fiscal policy and their ability to generate other sources of support. In particular, four of the seven types of child-serving organizations listed in Table 5.1 recorded increases in total revenues—two of them despite losses in government support—and the three remaining types ended up with overall losses.

Table 5.1

COMPARISON OF CHANGE IN TOTAL EXPENDITURES AND GOVERNMENT FUNDING FOR CHILD-SERVING AGENCIES, FY1981-1982

Type of Agency	Inflation-adjusted percentage change in Government Funding	Inflation-adjusted percentage change in Total Expenditures
All Child-Serving Agencies (750)	- 3.4%	+2.1%
All Nonprofit Agencies (2,306)	- 6.3%	+0.5%
Type of Child-serving Agency		
Recreation	-11.2%	+6.6%
Institutional/Residential	+ 0.1%	+5.9%
Health/Mental Health	+12.4%	+5.5%
Other*	- 3.8%	+2.0%
Education/Research	- 7.9%	-1.1%
Day Care	- 7.5%	-1.1%
Other Social Services	- 4.6%	-3.0%

*Other includes employment and training, housing and community development, legal services and advocacy and multiservice agencies.

Of the agencies experiencing gains in overall revenue, the most successful were recreation agencies, which sustained a double-digit loss in government support but nevertheless posted a 6.6 percent gain in total income. Much of the explanation for this lies in the fact that these agencies did not rely very heavily on government funds to start with: the 11 percent loss in government support they sustained therefore represented a loss of less than $7,000 per agency compared to an average agency budget of $600,000.

Institutional and residential care and health/mental health agencies also registered sizable increases in overall income between 1981 and 1982. In the case of the institutional and residential care facilities, this increase occurred despite virtually no growth in government support. In the case of the health and mental health agencies, by contrast, most of the growth that occurred can be attributed to increases in government support. In fact, the average child-serving health and mental health agency gained close to $32,000 in government support between 1981 and 1982, and ended up with an overall gain of $31,000 in total income. This was largely a product of continued growth in federal health outlays. These figures suggest strongly that private funding sources supporting children's services were at least somewhat sensitive to the patterns of government funding changes, turning their attention at least to some extent toward areas hit hard by government cutbacks while holding the line in areas like health services where government cuts did not occur. We will return to this thesis in more detail below.

The final group of child-serving agencies that posted real gains in total income despite losses in government support were those in the "other" category, which includes such organizations as the Junior League, boys clubs, local community centers, and multiservice agencies. As shown in table 5.1, these agencies lost almost 4 percent of their government support but registered overall growth of 2 percent in total income after adjusting for inflation.

For the remaining three types of child-serving agencies, alternative funding was not sufficient to offset government funding cuts. In two of these cases--education/research and day care--other sources were found to offset a significant part, though not all, of the government cuts. The overall net decline in total income for these two types of agencies was therefore a relatively modest 1 percent. This performance was particularly impressive in the case of the day care organizations, which rely on government for close to 60 percent of their income--about twice as much as education/research organizations.

A very different situation prevailed for other child-serving social service organizations. These organizations suffered sizable losses in their government support but were not able to make these losses up from other sources. In fact, the average social service organization lost $16,000 in government support but experienced an overall decline of $21,000 in total income. What this indicates is that these organizations not only failed to replace their government losses, but experienced losses in other sources of support as well.

Behind these aggregate figures on changes in the total expenditures of different types of child-serving agencies, moreover, it is worth noting that fully 43 percent of these agencies faced real declines in their budgets. The public axe has thus been quite broadly felt by nonprofit child-serving organizations, and many were not able to recover fully, even during the first year of the budget cuts.

Overall Shifts In Sources of Support

Where did child-serving agencies turn for support to replace government dollars? Table 5.2 shows that a fairly even proportion of agencies sought and received increased funding from foundations and corporations, from private giving, and from earned income. Following closely the pattern among all nonprofits, two in every five child-serving agencies reported receiving more support from foundations and/or corporations in 1982 than they did in 1980, about 45 percent noted growing support from United Way, religious federations, other federated organizations, or direct individual giving; and almost half (48%) reported increased support from earned income, including dues, fees, and charges for services. Although substantial numbers of child-serving nonprofits enjoyed increases in private support between 1980 and 1982, however, slightly larger numbers of these organizations enjoyed no such increases or experienced losses.

In order to understand where the changes in the total revenues of child-serving agencies discussed above, really came from, however, it is necessary to look beyond the proportion of agencies experiencing increases and decreases in support from various private funding sources

Table 5.2

INCREASES IN FUNDING FOR CHILD-SERVING AGENCIES BY SOURCE

Funding Source	% Experiencing Increase 1980-1982
Government	19%
Foundations and Corporations (673)	38%
Individual Giving (758)	45%
Earned Income (816)	48%

and focus on the dollar size of these changes. In practice, these magnitudes have varied greatly among the funding sources, as is evident in table 5.3, which records the change in support received by the "average" child-serving nonprofit organization from each major funding source.

As this table makes clear, the "average" agency lost $9,000 in government support between 1981 and 1982, but gained $21,347 in support from other sources. It therefore ended with a net gain of $12,340. However, significant variations existed in the amount of new income coming from each of these sources.

Most important, perhaps, is that the largest dollar increase came not from private giving, but from fees and charges. This one source provided $9,600 in new income to the average child-serving nonprofit. It thus accounted for 45 percent of the new income child-serving nonprofits gained during this period, and more than offset by itself the overall decline in government support. By contrast, such earned income accounted for only about a third of the nongovernmental support to

Table 5.3

INFLATION-ADJUSTED CHANGES IN "AVERAGE" CHILD-SERVING AGENCY'S INCOME BY SOURCE OF SUPPORT, 1981-1982
(n=750)

Source	Income from Source for Average Child-Serving Agency (1981 dollars) 1981	Change 1981-1982	% Change 1981-1982
Government	$262,230	-$ 9,007	- 3.4%
Earned Income (dues, fees, charges)	118,989	+ 9,597	+ 8.1%
Private giving			
United Way	48,424	+ 1,158	+ 2.4%
Religious/Other Federated Giving	17,024	+ 394	+ 2.3%
Direct Individual Giving	43,328	+ 3,777	+ 8.7%
Corporations	19,725	+ 1,236	+ 6.3%
Foundations	18,689	+ 1,786	+ 9.6%
Subtotal, private giving	147,190	+ 8,351	+ 5.7%
Endowment and Investment Income	30,359	+ 308	+ 1.0%
Other Income	23,319	+ 2,574	+11.0%
Unallocated to Source	3,359	+ 517	—
TOTAL	$585,446	+$12,340	+ 2.1%

child-serving agencies to start with, so that its relative role in the funding base of child-serving agencies increased. This is significant because the need to rely on fee income can affect the client focus and service mix of agencies.

In addition to the increased support they received from earned income, child-serving agencies also benefitted from increases in private charitable support. Most notable here was the increase in direct individual giving. This source grew by nearly 9 percent and added $3,777 to the average child-serving agency's budget. By comparison, combined or federated giving through United Way or other federated

giving campaigns grew only about 2 percent. Evidently, child-serving agencies were finding it necessary to increase their direct appeals to potential individual contributors rather than rely on federated campaigns, a trend that was evident in our broader survey sample as well. This development is also apparent in the sizable increase that occurred in "other income," which represents sales of products and special fundraisers. This source grew by 11 percent between 1981 and 1982 and added $2,574 to the income stream of the average child-serving agency—more than United Way and other federated funders combined. Quite clearly, child-serving agencies have become increasingly active in direct appeals for individual contributions, a development that has allowed them to cope with cutbacks in government support, but that may also undercut the position of federated giving organizations and increase fundraising costs in the sector.

Children's agencies also received a significant boost from corporate and foundation sources which increased their support to child-serving agencies by a healthy six and ten percent, respectively, in real terms. This is somewhat higher than the gains that all nonprofit organizations secured from corporate and foundation sources. Although foundation and corporate gifts account for only a modest seven percent of the average agency's budget, the healthy boosts from these two sources nonetheless helped to offset a third of the overall government cuts to children's agencies.

The picture presented in Table 5.3 thus illustrates clearly how child-serving agencies as a group compensated for their lost government revenues by turning to a variety of other funding sources. The increase

in dues, fees and charges alone replaced the government loss, and substantial real dollar gains from private giving, corporations, foundations, and special fund-raising events brought the average children's organization $12,000 into the black.

The Changing Priorities of the Funders

The various types of child-serving agencies did not benefit equally from the changes in funding described above, however. Some funding sources differentiate very clearly the types of services they wish to promote from those they do not; some types of services are more conducive to funding through certain methods (e.g., fees) than are others; and some types of agencies simply fall through the slats. Table 5.4 offers a detailed picture of funding patterns for seven different types of child-serving agencies, indicating the proportionate change in real income flowing from each funding source to each type of service agency. We will first examine the table in terms of each funding source, then summarize our findings from the perspective of each type of children's agency.

Individual Giving. Individual giving, which accounted for 19 percent of the total FY1982 income of child-serving agencies, includes funds from United Way campaigns, religious organizations and other federated charities, and direct individual donations. Of these three sources, United Way is the largest and best known. As noted earlier, child-serving agencies received over 8 percent of their total income from United Way as of 1981. Between 1981 and 1982, United Way support

Table 5.4

CHANGES IN SOURCES OF SUPPORT FOR NONPROFIT CHILD-SERVING AGENCIES
BY SERVICE FOCUS

Type of Agency	Percent Real Change in Income from Each Source between 1981 and 1982									
	Total Expenditures	Government	United Way	Religious and other Federations	Individual Giving	Corporate	Foundations	Earned Income	Endowment and Investment	Other
Recreation (157)	+6.6%	-11.2%	+4.5%	-4.6%	+9.3%	-2.7%	+16.7%	+10.4%	+2.1%	+15.9%
Institutional/Residential (53)	+5.9	+0.1	-3.1	+5.4	+21.5	+7.6	+57.0	+13.6	+14.4	+25.9
Health/Mental Health (42)	+5.5	+12.4	+0.4	-27.5	-10.0	-14.0	-10.4	+4.2	+11.6	-10.2
Other Agencies (126)	+2.0	-3.8	-1.0	+3.7	+17.3	+16.1	-1.7	+15.4	-4.4	+1.9
Education/Research (80)	-1.1	-7.9	-1.1	+3.5	-0.2	+14.6	+7.1	+3.7	-2.0	+4.4
Day Care (170)	-1.1	-7.5	+21.6	-7.3	+4.8	+12.4	-6.0	+7.7	-7.4	-6.2
Other Social Services (115)	-3.0	-4.6	-2.3	+3.3	+6.4	+15.9	-3.6	-4.4	-5.0	+10.1
ALL CHILD-SERVING (750)	+2.1	-3.4	+2.4	+2.3	+8.7	+6.3	+9.6	+8.1	+1.0	+11.0

for child-serving agencies grew further, but at a modest 2.4 percent rate after adjusting for inflation. Not all types of child-serving agencies benefitted from even this modest growth, however. In fact, after adjusting for inflation, many types of child-serving nonprofits lost ground with respect to their United Way support. This was particularly noteworthy in the case of child-serving social service agencies, which have traditionally been major recipients of United Way support. In addition to the sizable government losses they sustained, these organizations also lost United Way support. On the other hand, two types of child-serving agencies experienced sizable boosts in their United Way support: day care centers (+21.6 percent) and recreation organizations (+4.5 percent). Both of these types of agencies experienced significant drops in their government support, suggesting that United Way was seeking to concentrate its resources in areas hurt most by government retrenchment. Since recreation agencies relied on government for a fairly small share of their income to start with, however, the apparent tendency of United Way to hold child-serving social service providers to below-average increases while providing above-average increases to recreation agencies cannot be explained solely in terms of an effort to offset the impact of federal cutbacks.

The other combined or federated sources of individual giving--that of religious organizations or other joint giving campaigns--also registered only a modest increase in support to child-serving agencies between 1981 and 1982. Here as well, moreover, important shifts in priorities are evident. In particular, these federated giving organizations reduced the real value of their support to recreation,

health/mental health, and day care agencies, and increased their support to institutional and residential care facilities, education and research organizations, and other or multipurpose agencies. Institutional and residential care facilities were the major beneficiaries of these shifts, reflecting in all likelihood the special relationship such facilities frequently have with religious and other federated funding organizations. Equally notable, howevever, is the fact that child-serving nonprofits did not fare as well with these federated funders as did the full sample of nonprofits, suggesting an orientation on the part of these funders to agencies serving the aged or a more diverse client population.

Compared to the modest growth registered by the federated forms of individual giving--through United Way, religious organizations, and other federated campaigns--direct individual giving grew much more rapidly. Child-serving agencies boosted their income by almost 9 percent in inflation-adjusted terms from such direct appeals to individual contributors. What is more, all but two types of agencies--health/mental health and education--registered real growth from this source. By far the most successful in tapping this source, however, were the institutional and residential care facilities and the other and multipurpose organizations. In neither of these cases, however, were the government cuts most severe. By contrast, the agencies hit hardest by government cutbacks (with the exception of recreation agencies which rely little on government support) achieved less than average increases in direct individual support. What these data suggest is that child-serving agencies are becoming increasingly aggressive in seeking direct

support from individuals rather than relying on federated fundraising organizations, but that some of the neediest agencies have limited access to this increasingly lucrative source of support. What is more, it is likely that the costs of fundraising among child-serving agencies is increasing in the process.

Corporate and Foundation Support. Between 1981 and 1982 both corporations and foundations increased their support to nonprofit child-serving agencies. In the case of foundations, moreover, the increase was more substantial than that provided to all nonprofits, suggesting a shift in foundation resources toward child-serving activities. Both corporations and foundations show evidence of "spreading the wealth" among children's agencies; three percent of corporate recipients and four percent of foundation recipients in 1982 were new beneficiaries.

Service preferences appear to have sifted in rather different ways between corporations and foundations, however. Generally speaking, foundations provided greater-than-average increases to the types of child-serving organizations that were hit most by government cutbacks. This includes social service, education and research, day care, multiservice, and other agencies. At the same time, corporations reduced their support in inflation-adjusted terms to recreation agencies, traditionally the major recipient of corporate support; and to health/mental health agencies, which benefitted from continued growth in government support. What these data suggest is a fairly high degree of responsiveness of corporate giving programs to the needs created by government cutbacks and a shift of corporate resources toward services that were formerly more completely in government's sphere.

By contrast, much less shifting of focus seems to have occurred in the case of foundations. The major increases in foundation support went to child-oriented agencies engaged in institutional and residential care, recreation, and education and research. None of these was hit particularly hard by government cutbacks. Although recreation and education agencies lost significant portions of their government support between 1981 and 1982, neither relied on government massively to start with. By contrast, the types of agencies that both relied most heavily on government support and experienced the sharpest reductions in government support (e.g., day care, social service, and multiservice) actually lost foundation support. The one major exception to this observation was the health/mental health category, which gained government support and lost foundation support, but these agencies were not major recipients of foundation support to start with. In short, foundations do not appear to have altered their funding of child-serving nonprofit organizations in response to government cutbacks. Indeed, if anything, their funding decisions appear to have accentuated government cuts, particularly in the social service field, where foundation support has been a significant presence.

Earned Income. As noted earlier, the largest single source of increased income to child-serving nonprofit organizations between 1981 and 1982 was earned income. This source by itself offset government cuts to all child-serving nonprofit organizations between 1981 and 1982. Half of all children's agencies increased their monies from this source, while only two percent turned to it for the first time in 1982. This suggests that most agencies that could reasonably charge for

services had begun to do so before 1982; those not charging fees or collecting dues were primarily crisis services and/or aimed at the most needy populations. Service charges simply cannot be used in certain service areas, like emergency food and shelter, where lack of capacity to pay is one of the fundamental reasons for providing the service. Agencies must carefully examine the specific services they offer as well as the specific clients they have whose needs exceed their ability to pay for services, before shifting too broadly to a fee-for-service strategy.

The pattern evident in Table 5.4 suggests that child-serving agencies are sensitive to the dangers of an all-out shift to service charges. Generally speaking, those agencies most likely to serve the poor had the least access to earned income. Thus social services agencies (excluding day care), which offer a large proportion of their services to poor children and to families in crisis situations, did not even increase their earned income enough to cope with inflation and therefore posted a 4.4 percent decline in the value of support from the source. By contrast, recreation agencies, for which earned income has been and continues to be the largest source of income, experienced a ten percent real gain from this source between 1981 and 1982. Recreation would seem to be the easiest area in which to charge for services because they are not critical in the way that health and social services are.

Multipurpose, institutional and residential, and day care agencies also posted sizable increases in the real value of their income from service charges. In the case of the multipurpose agencies, this gain by

itself more than offset government cuts. But in all three cases, the earned income increases outdistanced overall agency growth, signalling an expansion in the share such commercial income represents of total agency budgets. Faced with declines, or slower growth, in government support, these agencies are evidently requiring their clients to pay a larger share of the service costs. Day care centers, for example, are often modifying their existing sliding fee scales and thereby increasing the proportion of the clients who pay something for the care. This was true for government-supported as well as for non-government-supported day care providers (53 percent of the surveyed day care agencies received no government support). Many states increased the fee scales for Title XX day care, and many private day care agencies increased fees. Such a strategy is hard on individual families, especially in the face of substantial reductions in Title XX-supported day care. Because of the pressures it places on agencies to locate clients who can help pay for their services, this increased reliance on fee income raises important questions about the future of child-serving nonprofits.

Endowment and Investment Income. Endowment and investment income is even less widely available to nonprofit child-serving agencies than earned income. Generally, this source is a more important funding source for large agencies than for medium or small ones since the larger agencies are more likely to have endowments. Between 1981 and 1982 child-serving agencies' income from this source increased only one percent beyond inflation, compared to a four percent increase among all nonprofits surveyed. The most rapid growth occurred among institutional and residential care facilities, the largest of children's agencies.

Health and mental health agencies also gained significant ground from this source. In 1981 these agencies already relied more on endowment income than did any other type of child-serving agency. Since they did not suffer government cutbacks, these health-related agencies did not need to deplete their endowments to make up for cuts during 1982. Consequently they continued to have sizable endowments from which to draw increased investment income.

By contrast, the agencies most affected by government retrenchment also suffered most on the investment-income front. Day care, other social service, and education and research organizations all lost ground in their endowment and investment income, perhaps because they were forced to use what savings they had accumulated to moderate the immediate effects of government losses. Such a strategy is certainly stopgap, because endowment income is relatively small compared to government support; further, it is a strategy unavailable to most of the agencies needing help: only one-third of all child-serving agencies had any endowment and investment income in 1982.

Other Income. One income source that is available to most child-serving agencies includes the special fund-raiser, the bake sale, or the auction. These "other" sources of funding for children's services provided only four percent of total revenues in 1981, but they grew a dramatic 11 percent in real terms between 1981 and 1982. Special fund-raising events and product sales were particularly effective vehicles among child-serving recreation agencies; these agencies boosted their receipts from this source by 16 percent between 1981 and 1982.

Similarly for social service agencies, special fundraising events brought in ten percent more dollars in real terms in 1982 than in 1981.

The most noticeable growth in special fundraising was registered by institutional and residential care facilities. These agencies reported a 26 percent growth in "other" income from sales, bazaars, and the like. Although the dollar amount was still small, and contributed less than one percent to the average facility's revenues, such other income can nevertheless be quite important when it is raised, as it often is, for a particular purpose, such as purchasing a van or buying new outdoor play equipment that is critical to the overall vitality of the group home or personal care facility.

Health and mental health agencies and day care centers are the only types of children's organizations which showed a real loss in funds from "other" sources. The health agencies have in general fared very well in this era of government retrenchment, and so perhaps feel that the extra effort to organize a bazaar or auction is not as necessary. By contrast, day care centers have sustained substantial government funding cuts, and yet special fund-raising events constitute less than one percent of total revenues. The explanation may lie in day care's heavy reliance on service fees. Parents who use day care often work full time and pay as much as they can afford; to ask these parents to organize and support a neighborhood fund-raising event is increasingly difficult, as government cutbacks hit more and more working class families. Day care centers may have consciously chosen to increase fees somewhat, yielding a predictable increase in income, rather than ask parents to give time and money for a special event.

Effects on Different Types of Agencies.

The above discussion of the various sources of funding for child-serving agencies has clarified the changing focus of each funder. But what has this meant for different types of agencies? How have the different types of agencies been affected by the funding changes just charted? We briefly take the agency perspective here, summarizing the success with which each type of agency tapped the various sources of funds.

At one extreme, as we have seen, is the experience of child-serving recreation, institutional/residential care, and health/mental health agencies. These agencies ended up with overall revenue growth in excess of 5.5 percent after adjusting for inflation. In the case of the recreation agencies, this was due largely to the growth in fee income and income from special fundraisers. Also important was the fact that government losses, though large in percentage terms, were small in absolute terms due to the relatively low level of reliance on government support by this type of agency. While losing just under $7,000 in government support between 1982 and 1983, therefore, the average recreation agency gained over $18,000 in fee income and almost $11,000 in income from special events. It also gained $6,000 in direct individual giving, $4,100 in foundation support, and close to $3,000 in United Way support.

A similar pattern prevailed for institutional and residential care facilities for children. Not only did these agencies avoid declines in government support, but also they experienced real growth from seven of the eight remaining funding sources. Only United Way reduced the value

of its support for institutional care facilities. But against the $381 decline in United Way support, the average institutional and residential care organizational gained almost $16,000 in fee income, $16,000 in foundation support, $14,000 in direct individual giving, and $6,000 in investment income.

Health and mental health agencies also registered substantial income growth, but did so through a somewhat different route. Far from suffering government cuts that had to be made up from other sources, these agencies substantially increased their government support but experienced substantial losses in support from most other sources—religious and other federated givers, direct individual giving, corporations, foundations, and special fundraisers. Evidently, these private funding sources recognized the continued availability of government funds to the child-oriented community health clinics, rehabilitation centers, and youth health services bureaus that comprise this set of agencies and concentrated their support elsewhere.

At the opposite extreme from recreation, health/mental health, and institutional/residential care organizations serving children--all of which grew--were the social service agencies. These agencies not only failed to offset lost government support: they suffered a net decline in nongovernment support as well. In fact, while losing $16,000 in government support, the average child-oriented social service agency ended up with an overall loss of $21,000 in total income, and this despite modest increases in support from individual giving, religious federations, corporations, and special fundraisers. These additional reductions resulted from sizable declines in support for these agencies

from United Way, earned income, and endowment income--the latter very likely reflecting a depletion of the endowment and investment resources of these agencies. For these agencies, therefore, the notion that reduced government support could be offset by increased support from other sources turned out to be not only overly optimistic but fundamentally incorrect.

In between these two extremes are three types of child-serving agencies that experienced sizable cuts in government support but managed to offset all or a substantial portion of these cuts from nongovernmental sources. Day care agencies, for example, faced some of the largest decreases in government funding, but managed to replace most of the lost monies, largely through increased receipts from United Way and service charges. A good sign of changing times came from corporations, which substantially increased their support to day care centers, although the corporate funds still are less than one percent of total revenues. Day care centers showed somewhat better recovery capability than social services agencies in general perhaps because of their small size and their greater ability to turn to service fees.

Education and research organizations serving children fared much like day care centers in making up much of their lost government support, but they turned to very different sources than did day care agencies. These specialized education facilities derived their biggest increases from corporations, foundations, and especially from service charges. In fact, service charges alone accounted for over half of the replacement income these organizations generated. Religious and other federated funders also significantly increased their support, although

the dollar contribution remained relatively small. Direct individual giving, a mainstay of education agency budgets, barely kept pace with inflation. This came in sharp contrast to the experience of nonprofit education and research organizations in the total survey population, which sustained seven percent real growth in individual contributions.

The rest of the child-serving agencies--the employment, housing, advocacy and multiservice organizations denoted as "other"--also demonstrated solid recovery from government declines, even though they experienced reductions in United Way, foundation, and endowment income in addition to their government losses. This performance was largely due to increases in service charges, which more than offset the government losses. These organizations also benefitted from sizable increases in corporate and direct individual support. These multiservice and other agencies serving children fared much better than their full-sample counterparts, largely because the hardest hit organizations in the full-site sample (legal services, housing, employment) are less common among child-serving agencies.

The Changing Structure of the Sector

Based on the discussion above, it should be clear that several types of child-serving nonprofit organizations--particularly those in the recreation, institutional care, and health fields--enjoyed continued growth between 1981 and 1982 either because they escaped government cuts or found alternative sources of income, largely from service charges. At the same time, other agencies--particularly those in the social service, day care and special education and research fields--lost

ground. In other words, the shift from government funding to earned income and private sources of support is causing a noticeable change in the structure of the nonprofit sector. As government becomes a smaller part of the funding picture, the service priorities of private funders and access to fee income play a larger role in determining the nature of the services provided by nonprofit children's organizations. Change is already evident in the relative shares of total child-serving agency resources going to particular service areas. Table 5.5 compares the income flowing to children's organizations involved in each service area for 1981 and 1982. Social services, day care and education organizations lost the most ground, despite the significant recovery that day care and education agencies demonstrated in finding private dollars to replace some of the lost public ones. By contrast, health and mental health agencies, institutional and residential care facilities, and recreation organizations increased their share of children's funds.

Given the role that government plays in the funding base of child-serving agencies, it should come as no surprise that the single most important explanation of this pattern of change is the nature of the agencies' reliance on government funds. Given the importance of service charges in the recovery from government cuts, however, it should also come as no surprise that the second most important explanation is the agencies'access to fee income. What this suggests is that even if private dollars replace government ones, the structure of the sector will change because the agencies that benefit from government support

Table 5.5

CHANGES IN SHARES OF TOTAL INCOME FLOWING TO NONPROFIT CHILD-SERVING AGENCIES BY SERVICE FOCUS, 1981 TO 1982 (n = 750)

Type of Agency	Share of All Income 1981	Share of All Income 1982	% Change in Share
Social Services (excluding day care)	18.604%	17.682%	-5.0%
Day Care	8.505%	8.239%	-3.1%
Education/Research	9.653%	9.352%	-3.1%
Other Agencies	25.745%	25.726%	-0.1%
Health/Mental Health	5.333%	5.513%	+3.4%
Institutional/Residential	12.678%	13.153%	+3.7%
Recreation	19.482%	20.335%	+4.4%
TOTAL	100%	100%	

are not the same types that have the best access to nongovernmental support. Federal support of children's health programs, for example, grew between 1981 and 1982 in contrast to most other service areas; consequently, children's agencies specializing in health and mental health began to command a larger share of total child-serving agencies' revenues. Institutional and residential care facilities also became a larger factor in the sector because they were highly dependent on government support and benefitted from an increase in those funds sufficient to keep pace with inflation. Recreation agencies, on the other hand, grew in sectoral importance precisely because they did not rely on public support; an 11 percent cut in a funding source that contributed only a tenth of their budget was not devastating. More importantly, recreation agencies were more accustomed than other children's agencies to soliciting support from a variety of private

sources—mostly service fees, special fund-raising, individual donations, and to a somewhat lesser extent, United Way.

The losses experienced by day care, other social services, and education and research agencies can be explained by the same phenomenon of government dependence. All look to government for substantial portions of their revenues, and all received significant reductions in support between 1981 and 1982. In addition, all received less than average increases in fee income. And in the case of social services agencies other than day care centers, declines occurred in other sources of nongovernment support as well, accentuating the government cuts.

The shift toward health and recreation services and away from social and education services sounds a warning note concerning the future of children's services. Social services have long been the most income-conditioned services, often designed to alleviate family stresses arising from unemployment, single parenthood, and other factors leading to low income. As government support for such programs decreases without concommitant increases in funding from the private sector, it is the poor and needy children who will suffer the most. Agencies cannot ask recipients to pay for protective services, since referrals for such help rarely come from the needy individuals; similarly, day care centers can only increase fees a certain amount, before they make their service too expensive for the families that most need their help. If these and other services are to continue to be offered to the children and families who need them, the private sector funding sources must shift their funding priorities even more than they already have. The question thus becomes: as government withdraws, who becomes responsible for

determining the appropriate allocation of resources among competing needs? In particular, is the market a sufficient mechanism to resolve this question? Should services be allocated chiefly on the basis of ability to pay? This is a growing challenge to the nonprofit sector.

Other Coping Strategies

In addition to seeking new sources of financial support, child-serving nonprofit organizations have also pursued other strategies of an organizational sort to cope with cutbacks in government support. Some of these were dictated by pressures from the other funding sources to which the organizations turned for support. Others were generated by internal judgments about how to deal with fiscal pressures. Broadly speaking, three sets of such changes are discernible: management changes, changes in staffing, and changes in service delivery.

Management Changes.

The most common of these three types of coping strategy adopted by child-serving nonprofit organizations were changes in management practices. As reflected in Table 5.6, about 60 percent of all child-serving agencies reported at least some change of this type--about the same proportion as reported such changes in the full agency sample.

The most popular management change was to increase reliance on volunteers: over 30 percent of the agencies reported moving in this direction. This was true despite the fact, noted in Chapter 2, that children's agencies have serious reservations about further expanding the use of volunteers as substitutes for professionals in service

Table 5.6

MANAGEMENT CHANGES MADE BY CHILD-SERVING AGENCIES IN THE PAST YEAR

Type of Change	Child Serving Agencies Percent (n=1,047)	All Agencies Percent (n=3,272)
Placed Greater Reliance on Volunteers	31.7%	33.0%
Reorganized Executive/Administrative Staff	25.6	26.3
Started New Management Programs to Increase Efficiency	25.0	24.6
Shared Resources with Other Agencies	19.2	19.4
Instituted Joint Purchase or Lease of Equipment or Services with Other Agencies	6.1	5.9
Merged with Another Organization	1.7	1.6
None of the Above	39.5	39.4

delivery. But when resources shrink, the only alternative to providing services through volunters may be to eliminate the service. The message here may be that volunteers are an increasingly vital resource as budgets get tighter and demands increase, that they are being drawn into a wider variety of tasks, but that agency staff are worried about the quality of service that results.

Over 25 percent of the agencies have reorganized their executive and administrative staffs or started new management programs. In addition nearly one agency in five has begun sharing resources with other similar organizations. More progressive examples of this strategy include joint purchase or lease of equipment or services (done by 6% of children's agencies) and, at the extreme, merger with another organization. This latter step has been taken by eighteen agencies, five of them engaged in social services.

The types of children's agencies most likely to make management changes are institutional and residential care facilities (66%), recreation agencies (68%) and employment, housing, advocacy and other organizations (77%). The recreation agencies were particularly likely to increase reliance on volunteers (38%), an action that well suits the sports activities, youth clubs, and camps provided by recreation organizations. They are also the group of agencies most likely to institute joint purchase or lease of equipment (8%), perhaps a van or bus to reduce transportation costs for sports teams and campers. In the case of institutional and residential care facilities, the changes are very likely a product of the shift in government resources, and the change in recent government policy away from institutional care and towards home-based care. As deinstitutionalization in general and P.L. 96-272 in particular take hold in various communities, it is likely that these group homes and personal care facilities, anticipating harder times ahead, are choosing to reduce staff, freeze salaries, and begin new management programs before they are forced to take more drastic measures.

Changes in Staffing

The second most common type of other coping strategy pursued by child-serving nonprofits was to alter staffing patterns. More than half of all children's agencies made some change in their staffing, with the average agency making two such changes (Table 5.7). Children's agencies in general followed very closely the pattern exhibited by nonprofits overall. The child-serving organizations most likely to make staffing

Table 5.7

CHANGES IN STAFFING MADE BY CHILD-SERVING AGENCIES IN THE PAST YEAR

Type of Change	Child-Serving Agencies Number	Child-Serving Agencies Percent (n=1,060)	All Nonprofits Percent (n=3,299)
Increased Staff Workload or Caseload	312	29.4%	31.0%
Did Not Fill Staff Vacancies	226	21.3	20.9
Reduced Administrative/Support Staff	210	19.8	21.6
Reduced Service Delivery Staff	197	18.6	18.7
Instituted Salary Freeze	137	12.9	12.2
Reduced Staff Training	120	11.3	11.3
Reduced Staff Benefits	85	8.0	7.3
Reduced Work Week for Paid Staff	79	7.5	6.2
None of the Above	498	47.0	47.9

changes were those engaged in employment, housing and advocacy programs (77%); those least likely were the education and research organizations (42%).

The most common type of staff change was to increase caseloads, either directly (20% of agencies) and/or indirectly by not filling staff vacancies (21% of agencies). Institutional and residential care facilities in particular left staff positions unfilled (37%), perhaps in expectation of reduced caseloads due to P.L. 96-272. Indeed, these agencies were among the least likely to indicate they increased staff workloads (31%).

Reducing administrative and support staff and reducing service delivery staff were strategies selected by nearly one in every five children's organizations, while between 7.5 percent and 13 percent of

the agencies instituted salary freezes, reduced staff training, reduced staff benefits, or reduced the work week. Those agencies most dependent on government support—institutional and residential care facilities and employment, housing, advocacy programs—were most likely to make these reductions. Of the latter group, 33 percent reduced support staff and 29 percent cut service staff. These agencies similarly showed a greater than average tendency to increase caseloads (40%), to freeze salaries (19%), and to reduce staff training (14%).

By contrast, social services agencies behaved much like the average child-serving agency, in spite of being among the groups hardest hit by government reductions. In only one area did they exceed the zeal of all other types of children's agencies: ten percent of the social services organizations (including day care centers) reduced the work week for paid staff, which very likely translated into reduced service hours.

Service Delivery Changes

The final set of changes adopted by child-serving agencies were changes in service delivery. More than half of all agencies have made some such change. The most common form of this change, for all nonprofits but more so for children's agencies, was to institute or increase service fees. This finding is consistent with the increased reliance on earned income as a revenue source for children's agencies. Social services agencies and health/mental health organizations were most likely to choose this mechanism (36% and 37%, respectively), while institutional and residential care facilities were the least likely to turn to new or higher service charges (21%). The apparent inconsistency

Table 5.8

CHANGES IN SERVICE DELIVERY MADE BY
CHILD-SERVING AGENCIES DURING THE PAST YEAR

Type of Change	Child-Serving Agencies		All Nonprofits
	Number	Percent (n=1,053)	Percent (n=3,252)
Increased or Instituted Fees for Services	343	31.6%	26.4%
Eliminated Specific Services or Programs	172	16.3	17.1
Reduced Number of Clients Served	135	12.8	11.7
Reduced Leve of Service Provided to Individual Clients	103	9.8	10.2
Tightened Eligibility Requirements for Services	100	9.5	10.1
None of the Above	514	48.8	53.7

between these figures and those in Table 5.4 can be easily explained: a few large personal care facilities increased fees while many smaller ones did not, making total revenues increase substantially although most agencies made no such change. Institutional and residential care facilities are generally larger and less numerous than health or social services agencies, so a few large agencies have more influence on aggregate figures.

In addition to changes in fees, a substantial 16 percent of child-serving agencies were forced to eliminate specific services or programs, despite the funding changes and other coping strategies mentioned above. This action was taken most frequently by "other" children's agencies (31%), which tended to offer a mixture of child-focused

services including employment and advocacy services that were most drastically affected by federal policy changes.

Where government cutbacks were the most severe, the affected agencies were the most likely to make some kind of service delivery change. Six out of ten social services and "other" child-serving agencies altered their service delivery strategies in some way, compared to half of all children's agencies. These particular organizations chose to reduce service levels or to reduce numbers of clients more often than did other types of agencies. The prevailing pattern of curtailing nonprofit service offerings in the same areas where public services were reduced spells considerable difficultly for clients. Although nearly half the nonprofit children's agencies avoided service cutbacks, it is unlikely that they could meet the needs of all the clients suffering from public service cutbacks.

Even where government dollars increased, changes were often necessary. Health and mental health agencies seemed to favor tightening eligibility requirements for clients; 16 percent of the agencies did so, compared to only ten percent of children's agencies overall. This came in direct response to changing federal regulations for government Medicaid coverage. Again, many nonprofits appeared unable to shield service recipients from the hard realities of government retrenchment.

Summary And Conclusion

President Reagan's Economic Recovery Program and the Omnibus Budget Reconciliation Act had a definite impact on nonprofit organizations serving children and youth in the early 1980s. The impact has varied

significantly among the different types of agencies. By turning to service charges, private giving and other private funding sources, child-serving agencies as a group have been able to compensate for losses in government support. In youth recreation and health-oriented program areas, agencies managed to achieve modest real gains in total spending. But in social services, day care, and education programs, by contrast, there were real declines in the total level of resources available for service provision, and in the service levels the agencies were able to maintain. On balance, nonprofit agencies serving children and youth were able to just about maintain the same aggregate level of services in 1982 as were provided a year earlier. The agencies were left, however, with little capacity to step in to make up for any losses in publicly-provided services or to meet expanded community needs arising from the most significant economic downturn since the Great Depression.

Chapter 6

CONCLUSION

The nonprofit sector was a key ingredient in President Reagan's economic recovery program. As government programs were cut back, the voluntary or charitable sector was expected to step in to fill the gap in the provision of human services. In this way populations served by federal programs would be protected from the possible adverse effects of federal retrenchment.

As the body of this report makes clear, something of this sort did occur for nonprofit agencies serving children and youth. At least during the first year of the federal budget cuts, 1981 to 1982, child-serving nonprofits as a group not only managed to keep pace with inflation but also posted a two percent net gain in income over the inflation rate. Their performance in this regard exceeded that of all human-service nonprofits in our sample, which, as a group, gained a more modest one-half of one percent over the inflation rate.

Behind this encouraging overall picture, however, lie some far more troubling details. In the first place, the aggregate picture obscures significant variations among type of agencies. Social service agencies, day care centers, and education/research organizations all failed to recover from significant losses in government support. The combined effects of federal reductions and state and local fiscal problems proved to be more of a challenge than the nonprofit sector alone could meet. Even with corporations shifting their focus and with direct individual donations going more frequently to the types of service agencies most hurt by government policy changes, a great many social services, day

care, education/research,and other children's agencies simply could not avoid reductions in service levels.

The varying fortunes of child-serving nonprofits has led already to a noticeable change in the availability of children's services. Funding has shifted toward the provision of health services and recreation activities and away from social services and specialized education programs. This is significant because, of all the categories of children's services, social services are the most clearly targeted on poor and vulnerable children. It is also the area facing the harshest federal cutbacks. Who will fill the widening gap, as nonprofit service providers as well as government agencies reduce their presence in this critical human service area?

The problems of agencies with net revenue losses are only the tip of the iceberg. There are, additionally, many agencies that have kept their budgets balanced only by turning increasingly to service fees and charges. Nearly one-third of the child-serving agencies sampled instituted or increased service fees during 1982, leading to an 8 percent increase over FY 1981 funds from that source. In fact, service fees constituted the largest single source of replacement income for child-serving agencies. Although the new monies did much to compensate agencies for lost budgetary power due to government cutbacks, the obvious costs to service recipients must not be overlooked. Many potential clients, in need of services, may be discouraged from seeking help, or may even be refused service, because they cannot afford to pay.

Beyond this, there is the further problem of growing community demand for human services. As government reduces its direct provision of social services and income assistance, people turn more to nonprofit agencies for basic needs. Even if a child-serving nonprofit has not itself faced government funding cutbacks, it is likely to have felt the strain on its resources caused by greater numbers of children and their families seek assistance. Four out of every ten agencies surveyed reported increased demand for their services.

The pressures of increasing service demand coupled with diminishing public and private revenues forced child-serving nonprofits into difficult management decisions. Should the agency increase staff workloads, or increase reliance on volunteers? Should it decrease the number of clients it services, or should it reduce the range of services it offers? Should it deliberately change eligibility requirements, or should it institute service charges and allow the clients' ability to pay determine service receipt? Significant numbers of child-serving nonprofits chose each of these options, with varying effects on service quality, staff morale, and overall agency effectiveness.

These problems notwithstanding, child-serving agencies appeared to be guardedly optimistic about future funding, at least from private sources. A third of the agencies believe that their community has seen a notable upsurge in private charitable activity and voluntary effort in response to recent federal budget cuts. Over 40 percent of the agencies expect increased support from corporations and foundations between 1982 and 1983, and half the children's organizations anticipated more funds from individual giving. At the same time however, less than 20 percent

anticipates growth in government support. Since government still constitutes the major source of revenue for most types of child-serving agencies, the expectation is therefore for a continuation of the trends identified in the body of this report. That seems consistent, moreover, with the message coming out of Washington, with its stress on continued budgetary restraint.

Whatever the future of public funding for children's services, it seems clear that this is an opportune time for the nonprofit community to take stock of its activities and evaluate the division of responsibilities that has evolved between public and private institutions in serving community needs. Without such explicit attention, fundamental changes may inadvertently be made in the character of the children's services provided by the nonprofit sector, in the partnership arrangements between the nonprofit sector and government, and in the way local needs are met--changes that may end up harming rather than helping local communities. At the very least, these developments deserve far more attention and debate than they have yet received. And this requires that they be better understood. Helping to provide that understanding has been the principal purpose of this report. If, in the process, the report also helps to stimulate and inform the public debate that is needed on these issues, it will have accomplished its objectives well.

Appendix A

NUMBER OF NONPROFIT ORGANIZATIONS SURVEYED AND RESPONSE RATE FOR EACH SITE

	Initial Mailing	Final** Sample	Respondents	Response Rate
Northeast				
New York	1,000*	753	281	37.3%
Pittsburgh	798*	709	324	45.7
Rhode Island (Providence)	727	667	364	54.6
Fayette County, PA	73	65	25	38.5
North Central				
Chicago	1,008*	850	419	49.3
Minneapolis/St. Paul	1,000*	883	511	57.9
Flint	146	131	87	66.4
Tuscola County, MI	21	18	9	50.0
South				
Dallas/Ft. Worth	898	739	306	41.4
Atlanta	609	539	272	50.5
Jackson	297	245	101	41.2
Warren County, MS	29	26	13	50.0
West				
San Francisco	1,019*	694	383	55.2
Phoenix	412	346	182	52.6
Boise	195	168	117	69.6
Pinal County, AZ	62	35	17	48.6
TOTAL ALL SITES	**8,294**	**6,868**	**3,411**	**49.7**

*Represents a sample of the total universe of agencies. In all other sites, the entire universe of relevant nonprofits was surveyed.

**Final sample deletes organizations no longer in existence, those not meeting the study's nonprofit definition, and those for which a valid forwarding address could not be found.

Appendix B

NONPROFIT SECTOR PROJECT SPONSORS

Corporations or Corporate Foundations

Aetna Life & Casualty Foundation
Alcoa Foundation
American Telephone and Telegraph Company
Amoco Foundation, Inc.
The Atlanta Journal/The Atlanta Constitution
Atlantic Richfield Foundation
BankAmerica Foundation
Chemical Bank
Chevron U.S.A. Inc.
The Coca-Cola Foundation
The Equitable Life Assurance Society of the United States
The First National Bank of Atlanta
Gannett Foundation
The General Electric Foundation
General Mills Foundation
H. J. Heinz Company Foundation
Honeywell Foundation
New York Telephone
PPG Industries Foundation
Shell Companies Foundation
United States Steel Foundation, Inc.
Wells Fargo Foundation

National Foundations and Organizations

The Carnegie Corporation
Ford Foundation
Independent Sector
The John D. and Catherine T. MacArthur Foundation
Richard King Mellon Foundation
Charles Stewart Mott Foundation
The Rockefeller Brothers Fund
The Rockefeller Foundation

Community or Regional Foundations

The Buhl Foundation
The Bush Foundation
The Chicago Community Trust
Howard Heinz Endowment
Metropolitan Atlanta Community Foundation
The Minneapolis Foundation
The New York Community Trust
The Pittsburgh Foundation
Prince Charitable Trusts
The Rhode Island Foundation
The Saint Paul Foundation
The San Francisco Foundation
The Joseph P. Whitehead Foundation

Appendix C

THE NONPROFIT SECTOR IN AN ERA OF GOVERNMENT RETRENCHMENT: A NATIONWIDE SURVEY OF THEIR RESPONSE TO THE CHALLENGE

THE NONPROFIT SECTOR PROJECT

SAN FRANCISCO BAY AREA SURVEY

November 1982

San Francisco Bay Area Advisory Committee

Barry Lastra, Chairman
Chevron USA, Inc.

Henry Der
Chinese for Affirmative Action

Eunice Elton
Mayor's Office of Employment & Training

Michael Huynh
Center for Southeast Asian Refugee Resettlement

Don Lau
Contra Costa Children's Council

William Lightbourne
Catholic Social Services

Leslie Luttgens
Rosenberg Foundation

Sarah Lutman
Pro Arts

Melvin Mogulof
Jewish Federation of Greater East Bay

Martin Paley
The San Francisco Foundation

Librado Perez
Alameda County Social Services Department

Peter Reid
Legal Aid Society of San Mateo County

Betty Stallings
Valley Volunteer Bureau

Percy Steele
Bay Area Urban League

Edward Truschke
BankAmerica Foundation

Joseph Valentine
United Way of the Bay Area

David Way
Clorox Company

TO: Executive Director

We need your help in gathering some important information.

Recent changes in government policy are posing immense new challenges for the nation's private nonprofit organizations. To assess these challenges and to determine how nonprofit organizations are coping with them, a broad coalition of foundations, corporations, and philanthropic organizations has launched a major national inquiry that is being carried out by The Urban Institute, a Washington-based research organization, in conjunction with a team of local associates working in 16 local areas throughout the country.

The enclosed survey is a major part of this work. It seeks some basic information from a randomly selected sample of nonprofit organizations in the San Francisco Bay area. Your organization is one of those that was randomly selected to complete this survey.

We are strongly committed to supporting this project in the Bay area and urge you to complete this survey as carefully and as quickly as possible and return it in the enclosed postage-paid envelope. We are convinced that the results of this survey are immensely important to all of us who are concerned about the future of nonprofit organizations in this time of public cutbacks. They will give us the information we need to assess the claims and counterclaims that are now being made, to help nonprofit organizations cope with the current situation, and to enable nonprofit, philanthropic, and government agencies to set a sensible course for the future.

Because only a sample of all organizations is being surveyed, it is extremely important that your organization completes this form. You can be assured that your responses will be treated with complete confidentiality. No information on individual organizations will be released. A summary of the Bay area survey results will be sent to all survey respondents.

Thank you in advance for taking the time to help with this important effort.

Barry Lastra
Manager, Contributions
Chevron USA, Inc.

Martin Paley
Director
The San Francisco Foundation

Edward Truschke
Executive Director
BankAmerica Foundation

Please refer any questions to:

Judy Pope
San Francisco Area Associate
(415) 652-6130

Please return completed survey in the enclosed postage paid envelope to:

The Nonprofit Sector Project
The Urban Institute
2100 M Street, N.W.
Washington, D.C. 20037

ALL INDIVIDUAL SURVEY RESPONSES WILL BE KEPT STRICTLY CONFIDENTIAL. INFORMATION WILL BE REPORTED ONLY FOR GROUPS OF ORGANIZATIONS.

Please answer all survey questions. If you wish to comment on any of the questions or qualify your answers use the right margins or the back page of this questionnaire. Please call the local associate listed on the front cover if you have any questions. If you would like a summary of survey results, please make sure that your address is correctly listed on the back page of the questionnaire.

THE NONPROFIT SECTOR PROJECT

THE NONPROFIT SECTOR PROJECT

The Urban Institute's Nonprofit Sector Project is a broad gauged inquiry into the role and character of private, nonprofit organizations, the relationships between these organizations and other segments of American society, and the impact on them and those they serve of recent changes in public policy. The project involves several different types of analysis being conducted at the national level and in sixteen locales throughout the country.

This survey is an important component of the project. The principal objectives of the survey are to develop a clearer picture of the basic contours of the nonprofit sector; to clearly identify the breadth of services provided and the sources of support for these organizations; and to assess the initial impacts of recent cutbacks in government funding of services provided by nonprofit organizations.

Support for this project has been made available by a wide cross-section of funding including corporations, national foundations, and local community foundations throughout the country.

SURVEY OF NONPROFIT ORGANIZATIONS

If you have any questions relating to this questionnaire, please call the person whose phone number is listed at the bottom of the front cover.

Q1. Is your organization a private nonprofit agency? (Circle number of your answer.)

1 YES

2 NO (If NO) The purpose of this survey is to learn more about nonprofit organizations. It is not necessary for you to answer the remaining questions. However, please return the questionnaire so that we can get an accurate assessment of how many nonprofit organizations are in our sample. Thank you. If you have comments, please use the last page of the questionnaire.

Q2. The geographic service area covered by your organization would best be described as: (Circle number of best response.)

1 NEIGHBORHOOD

2 CITYWIDE

3 COUNTYWIDE

4 METROPOLITAN

5 REGIONAL

6 NATIONAL

7 INTERNATIONAL

8 OTHER

Q3. Does your organization have more than one location (office or facility) serving your local area? (Circle number of your answer.)

1 YES

2 NO

Q4. If YES, how many locations (offices or facilities) does your organization have in this local area? (Specify number of offices.)

_____number of offices

Q5. Please indicate whether your answers to this survey cover: (Circle number of best response.)

1 A SINGLE OFFICE OR FACILITY

2 ALL OF YOUR OFFICES OR FACILITIES IN THIS LOCAL AREA

3 ALL OF YOUR OFFICES IN THE COUNTRY

4 OTHER (specify) _____

Q6. In what year was your organization formed? (Circle number of answer.)

1 BEFORE 1900

2 1900-1930

3 1931-1940

4 1941-1950

5 1951-1960

6 1961-1970

7 1971-1975

8 1976-1980

9 AFTER 1980

Q7. Is your organization an affiliate of a for-profit organization? (Circle number of answer.)

1 YES

2 NO

Q8. Does your organization have any formal religious affiliation? (Circle number of answer.)

1 YES

2 NO (If NO, go to question 10.)

Q9. If YES, is your organization an operating component or auxiliary of a *single* church/synagogue/mosque/congregation?

1 YES

2 NO

Q10. Does your organization belong to or receive funds from any of the following: (Circle number of all responses that apply.)

1 UNITED WAY

2 RELIGIOUS FEDERATION (e.g., Catholic Charities, Jewish Federation)

3 OTHER FEDERATED CHARITABLE ORGANIZATIONS (specify) _____

4 NONE OF THE ABOVE

Q11. Have you already experienced any changes in your organization's government funding that is a direct result of federal budget cuts? (Circle number of answer.)

1 SUBSTANTIAL INCREASE (more than 10%)

2 MODEST INCREASE (less than 10%)

3 LITTLE OR NO CHANGE

4 MODEST DECREASE (less than 10%)

5 SUBSTANTIAL DECREASE (more than 10%)

Please describe the nature of these changes _____

_____

_____

_____

_____

_____

Q12. During the past year, have you experienced any changes in the demand for your agency's services because of reduced levels of service in government programs? (Circle number of best response.)

1 SUBSTANTIAL INCREASE (more than 10%)

2 MODEST INCREASE (less than 10%)

3 STAYED ABOUT THE SAME

4 MODEST DECREASE (less than 10%)

5 SUBSTANTIAL DECREASE (more than 10%)

Q13. During the past year, has your organization made any of the following changes in *service delivery*? (Circle numbers of all responses that apply.)

1 REDUCED THE NUMBER OF CLIENTS SERVED

2 TIGHTENED ELIGIBILITY REQUIREMENTS FOR SERVICES

3 INCREASED OR INSTITUTED FEES FOR SERVICES

4 REDUCED THE LEVEL OF SERVICE PROVIDED TO INDIVIDUAL CLIENTS

5 ELIMINATED SPECIFIC SERVICES OR PROGRAMS

6 NONE OF THE ABOVE

Q14. During the past year, has your organization made any of the following changes in *staffing*? (Circle number of all responses that apply.)

1 REDUCED SERVICE DELIVERY STAFF
2 REDUCED ADMINISTRATIVE/SUPPORT STAFF
3 INCREASED STAFF WORKLOAD OR CASELOAD
4 REDUCED STAFF TRAINING
5 REDUCED STAFF BENEFITS
6 INSTITUTED SALARY FREEZE
7 REDUCED WORK WEEK FOR PAID STAFF
8 DID NOT FILL STAFF VACANCIES
9 NONE OF THE ABOVE

Q15. During the past year, has your organization made any of the following *management* changes? (Circle number of all responses that apply.)

1 STARTED NEW MANAGEMENT PROGRAMS TO INCREASE EFFICIENCY
2 SHARED RESOURCES (FACILITIES, STAFF, ETC.) WITH OTHER AGENCIES
3 MERGED WITH ANOTHER ORGANIZATION
4 INSTITUTED JOINT PURCHASE OR LEASE OF EQUIPMENT OR SERVICES WITH OTHER AGENCIES
5 REORGANIZED EXECUTIVE/ADMINISTRATIVE STAFF
6 PLACED GREATER RELIANCE ON VOLUNTEERS
7 NONE OF THE ABOVE

Q16. How many *paid* employees did your organization have as of June 30, 1982? (Specify number of employees.)

Number of employees: _____FULL-TIME
_____PART-TIME

Q17. Does your organization use volunteers?

1 YES
2 NO (If NO, go to Question 21 on next page.)

Q18. How many volunteers were used by your organization in an average month during the past year? (Specify number of volunteers.)

_____number of volunteers

Q19. On the average, how many hours per month does an individual volunteer work for your organization? (Specify number of hours.)

_____hours per month

Q20. What type of activities are provided by your volunteers? (Circle all that apply.)

1 FUNDRAISING
2 SUPPORT SERVICES (accounting, clerical, etc.)
3 DIRECT PROVISION OF SERVICES TO CLIENTS
4 OTHER (specify) _____

Q21. What is your organization's fiscal (budget) year? (Circle number.)

1 JANUARY 1-DECEMBER 31

2 JULY 1-JUNE 30

3 OCTOBER 1-SEPTEMBER 30

4 OTHER (specify) _____

Q22. What were your organization's total expenditures in fiscal year:

$_____1982

$_____1981

$_____1980

Q23. What do you expect your total expenditures to be in fiscal year 1983?

$_____

Q24. Does your agency fund services provided by other organizations? (Circle number.)

1 YES

2 NO

Q25. What percent of your agency's total expenditures went to support services provided by other nonprofit organizations in fiscal 1981? (Specify percent.)

_____% of total budget

Q26. Does your organization receive any government financial support (federal, state or local)? Include direct government grants or contracts as well as indirect or third-party payments derived from programs such as Medicare, Medicaid and student assistance. (Circle number.)

1 YES

2 NO

Q27. If YES, from which levels of government is the money actually passed on to you? (Circle *all* applicable answers.)

1 LOCAL

2 STATE

3 FEDERAL

Q28. What proportion of your organization's total revenues in fiscal year 1981 came from the following sources and where possible estimate the proportion you expect to come from these sources in FY 1982? (Should total 100 percent in each year.) Include *indirect* (third-party payments) and *direct* support.

Source of Revenue	FY 1981	FY 1982
GOVERNMENT (federal/state/local)	_____ percent	_____ percent
UNITED WAY	_____ percent	_____ percent
OTHER FEDERATED ORGANIZATIONS	_____ percent	_____ percent
RELIGIOUS ORGANIZATIONS	_____ percent	_____ percent
OTHER INDIVIDUAL GIVING	_____ percent	_____ percent
CORPORATE GIFTS	_____ percent	_____ percent
FOUNDATION GRANTS	_____ percent	_____ percent
DUES, FEES, OR CHARGES FOR SERVICES	_____ percent	_____ percent
EMPLOYMENT AND INVESTMENT INCOME	_____ percent	_____ percent
OTHER (specify) _____	_____ percent	_____ percent
Total	100 percent	100 percent

Q29. Do you anticipate any changes in your sources of funding between fiscal (budget) year 1982 and 1983? (Circle number for each type of funding.)

	Large Increase (more than 10%)	Small Increase (less than 10%)	No Change	Small Decrease (less than 10%)	Large Decrease (more than 10%)
GOVERNMENT	1	2	3	4	5
CORPORATIONS AND FOUNDATIONS	1	2	3	4	5
ALL INDIVIDUAL GIVING (United Way, private donations, etc.)	1	2	3	4	5
EARNED INCOME (dues, fees, investment income, etc.)	1	2	3	4	5

Q30. Between 1980 and 1982 have you already experienced changes in the sources of funding for your programs? (Circle number for each type of funding.)

	Large Increase (more than 10%)	Small Increase (less than 10%)	No Change	Small Decrease (less than 10%)	Large Decrease (more than 10%)
GOVERNMENT	1	2	3	4	5
CORPORATIONS AND FOUNDATIONS	1	2	3	4	5
ALL INDIVIDUAL GIVING (United Way, private donations, etc.)	1	2	3	4	5
EARNED INCOME (dues, fees, investment income, etc.)	1	2	3	4	5

Q31. For each of the following broad functional areas, please indicate whether your organization provides these types of services and estimate the percent of your total service expenditures allocated to this area. (The specific services included in each functional area are defined in Q32.)

Circle All Service Areas Provided		Percent of Total Service Expenditures
1	SOCIAL SERVICES	_____
2	INSTITUTIONAL/ RESIDENTIAL CARE	_____
3	HEALTH	_____
4	MENTAL HEALTH	_____
5	EMPLOYMENT, TRAINING AND INCOME SUPPORT	_____
6	EDUCATION AND RESEARCH	_____
7	HOUSING AND COMMUNITY DEVELOPMENT	_____
8	CULTURE, THE ARTS AND RECREATION	_____
9	LEGAL SERVICES AND ADVOCACY	_____
	Total	100%

Q32. Please circle the number for all specific services provided by your organization from the following list.

Circle All Services Provided	SOCIAL SERVICES
11	CHILD DAY CARE/EARLY CHILDHOOD DEVELOPMENT
12	FOSTER CARE
13	ADOPTION
14	OTHER CHILD WELFARE SERVICES
15	JUVENILE JUSTICE AND DELINQUENCY PREVENTION
16	INDIVIDUAL AND FAMILY COUNSELING
17	HOMEMAKER/CHORE/IN-HOME SUPPORTIVE
18	PROTECTIVE SERVICES
19	VOCATIONAL REHABILITATION/ SERVICES FOR THE DISABLED
20	INFORMATION AND REFERRAL
21	NUTRITION/MEAL SERVICES
22	SENIOR CENTER/OTHER SERVICES FOR THE ELDERLY
23	TRANSPORTATION
24	DISASTER RELIEF/EMERGENCY ASSISTANCE
25	OTHER _____

	INSTITUTIONAL/RESIDENTIAL
26	SKILLED NURSING FACILITY
27	INTERMEDIATE CARE FACILITY
28	RESIDENTIAL/PERSONAL CARE FACILITY
29	GROUP HOME
30	EMERGENCY SHELTER
31	OTHER _____

	HEALTH
32	PRIMARY/SPECIALTY MEDICAL CARE
33	HOME HEALTH CARE
34	FAMILY PLANNING
35	MATERNAL AND CHILD HEALTH
36	ALCOHOL/DRUG ABUSE SERVICES
37	HEALTH COUNSELING, SCREENING AND PREVENTION
38	OTHER _____

Service Code	MENTAL HEALTH
39	INPATIENT CARE
40	OUTPATIENT PSYCHIATRIC CARE
41	CRISIS INTERVENTION
42	EVALUATION AND TESTING
43	OTHER _____
	EMPLOYMENT, TRAINING AND INCOME SECURITY
44	EMPLOYMENT COUNSELING AND PLACEMENT
45	EMPLOYMENT TRAINING
46	SUBSIDIZED EMPLOYMENT
47	SHELTERED WORKSHOP/WORK ACTIVITY CENTER
48	JOB DEVELOPMENT AND OTHER EMPLOYMENT SERVICES
49	DIRECT FINANCIAL ASSISTANCE
50	FOOD/TRANSPORTATION AND OTHER DIRECT ASSISTANCE
51	OTHER _____
	EDUCATION AND RESEARCH
52	KINDERGARTEN OR ELEMENTARY SCHOOL
53	JUNIOR HIGH OR HIGH SCHOOL
54	ADULT EDUCATION
55	LIBRARY OR INFORMATION CENTER
56	RESEARCH
57	OTHER _____

Service Code	HOUSING AND COMMUNITY DEVELOPMENT
58	HOUSING ASSISTANCE
59	HOUSING COUNSELING
60	HOUSING MANAGEMENT
61	HOUSING CONSTRUCTION
62	HOUSING REHABILITATION/REPAIR
63	NEIGHBORHOOD PRESERVATION
64	BUSINESS/ECONOMIC DEVELOPMENT
65	ENERGY ASSISTANCE
66	OTHER _____
	LEGAL SERVICES AND ADVOCACY
67	LEGAL AID SERVICES/LEGAL COUNSELING
68	VOLUNTEER RECRUITMENT, TRAINING, SERVICES
69	CIVIL RIGHTS
70	ADVOCACY FOR PARTICULAR CLIENT GROUPS
71	ADVOCACY FOR POLITICAL, LEGISLATIVE ISSUES
72	OTHER _____
	CULTURE, THE ARTS AND RECREATION
73	THE PERFORMING ARTS, PRODUCTION OR SERVICES
74	TRAINING OR WORKSHOPS IN CULTURE OR THE ARTS
75	MUSEUMS OR ART GALLERIES
76	SPORTS AND RECREATION ASSOCIATIONS OR CLUBS
77	YOUTH CLUBS AND ACTIVITIES
78	DAY, OVERNIGHT OR RESIDENT CAMPING
79	OTHER _____

Q33. Please note the five most important services provided by your organization and estimate the percentage of total expenditures going to each service. Please list using service codes from table above.

	Service Code	Percent of Expenditures
1	_____	_____%
2	_____	_____%
3	_____	_____%
4	_____	_____%
5	_____	_____%

Q34. How many clients did you serve in an average month during the past year?

_____ clients per month

Briefly describe how you define your client caseload.

_____

_____

_____

_____

Q35. Please estimate the percentage of your clients who are in each of the following age categories?

_____% CHILDREN (0-11 years)

_____% YOUTH (12-19 years)

_____% ADULT (20-59 years)

_____% ELDERLY (60 years and up)

Q36. Please estimate the percentage of your clients who are in the following ethnic groups:

_____% BLACK

_____% HISPANIC

_____% ASIAN AMERICAN

_____% AMERICAN INDIAN

_____% OTHER (specify) _____

Q37. Please estimate the percentage of your clients who fall into the following major target groups. (Total may exceed 100%.)

_____% WORKING CLASS

_____% INCOME BELOW POVERTY

_____% WOMEN

_____% SINGLE PARENTS

_____% DISABLED

_____% UNEMPLOYED

_____% EX-OFFENDERS

_____% OTHER TARGET GROUPS (specify) _____

Q38. We would like your opinion concerning several emerging issues related to nonprofit organizations. For each question indicate the response category which best reflects your view.

A. Government programs in our area make too little use of nonprofit agencies in the delivery of services. (Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

B. Government funding has caused nonprofit organizations to direct more services to the disadvantaged. (Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

C. Receipt of federal funds has significantly distorted the activities and objectives of our agency. (Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

D. Corporations in our area normally *do not* support organizations like ours. (Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

E. Volunteers can be substituted extensively for paid professionals in nonprofit organizations without any significant decline in service quality.(Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

F. It is easier to deal with corporate and foundation funding sources than government funding sources. (Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

G. Private nonprofit organizations have grown far too dependent on government funding. (Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

H. A notable upsurge in private charitable activity and voluntary effort has occurred in our community in response to the recent federal budget cuts. (Circle number of best response.)

1 STRONGLY DISAGREE
2 MILDLY DISAGREE
3 NEITHER AGREE NOR DISAGREE
4 MILDLY AGREE
5 STRONGLY AGREE
6 NOT APPLICABLE

We are interested in any other comments you have on the effects of budget cutbacks on organizations like yours. Also, any comments you wish to make that will help us to better understand the issues facing nonprofit organizations in the future will be appreciated. Use the back cover of the questionnaire if you need more space.

Would you like to receive a summary of the survey results for your area? (Circle number.)

1 YES
2 NO

Q41. Please give us your name, position and address.

Name _____ Position _____

Organization _____

Address _____

_____

_____

_____

THANK YOU FOR YOUR COOPERATION. Please return the completed questionnaire in the enclosed postage paid envelope to:

The Nonprofit Sector Project
The Urban Institute
2100 M Street, N.W.
Washington, D.C. 20037